

## CHICAGO CLIMATE FUTURES EXCHANGE, LLC

### Rulebook

BY ACCESSING, OR ENTERING ANY ORDER INTO, THE CCFE TRADING PLATFORM, AND WITHOUT ANY NEED FOR ANY FURTHER ACTION, UNDERTAKING OR AGREEMENT, A TRADING PRIVILEGE HOLDER OR AUTHORIZED TRADER AGREES (i) TO BE BOUND BY, AND COMPLY WITH, THE RULES OF THE EXCHANGE, THE RULES OF THE CLEARING SERVICE PROVIDER AND APPLICABLE LAW, IN EACH CASE TO THE EXTENT APPLICABLE TO IT, AND (ii) TO BECOME SUBJECT TO THE JURISDICTION OF THE EXCHANGE WITH RESPECT TO ANY AND ALL MATTERS ARISING FROM, RELATED TO, OR IN CONNECTION WITH, THE STATUS, ACTIONS OR OMISSIONS OF SUCH TRADING PRIVILEGE HOLDER OR AUTHORIZED TRADER. SEE RULE 308(a) AND THE RELATED DEFINITIONS IN THIS RULEBOOK.

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## **CHAPTER 1**

### **DEFINITIONS AND INTERPRETATION**

#### **Definitions**

Unless otherwise specifically provided in the Rules of the Exchange or the context otherwise requires, the terms defined in this Chapter have the meanings specified herein for all purposes of the Rules of the Exchange.

#### **101. Affiliate**

An “Affiliate” of, or a Person “Affiliated” with, another Person is a Person who, directly or indirectly, Controls, is Controlled by, or is under common Control with, such other Person.

#### **102. Appeals Panel**

The term “Appeals Panel” means a panel comprised of three Trading Privilege Holders (or officers of Trading Privilege Holders), one of whom shall act as chairman and one of whom will serve as vice-chairman, and which will consider appeals in accordance with Chapter 7. The members of the Appeals Panel will be appointed by the Board for a term of one year.

#### **103. Applicable Law**

The term “Applicable Law” means, with respect to any Person, any statute, law, regulation, rule or ordinance of any Governmental Authority applicable to such Person, including the CEA, Commission Regulations, NFA rules, and margin rules adopted by the Board of Governors of the Federal Reserve System.

#### **104. Authorized Trader**

The term “Authorized Trader” means any natural person who is a Trading Privilege Holder or who is an employee or contracted agent of a Trading Privilege Holder that is authorized by such Trading Privilege Holder to access the CCFE Trading Platform.

#### **105. Average Price System**

The term “Average Price System” means any proprietary system used by a Trading Privilege Holder that is a registered futures commission merchant to calculate and confirm to its Customers or Noncustomers an average price for any Contract when multiple execution prices are received on any Order or series of Orders for such Contract, provided that such system is structured and applied in accordance with Applicable Law.

#### **106. Block Trade**

The term “Block Trade” has the meaning set forth in Rule 412(a).

**107. Board**

The term “Board” means the board of directors of the Exchange constituted in accordance with the Constitutive Documents.

**108. Business Day**

The term “Business Day” means any day on which the Exchange is open for trading.

**109. CCFE**

The term “CCFE” means the Chicago Climate Futures Exchange, LLC.

**110. CCFE Trading Platform**

The term “CCFE Trading Platform” means the electronic systems administered by or on behalf of the Exchange which perform the functions set forth in the Rules of the Exchange, including controlling, monitoring and recording trading through CCFE Workstations.

**111. CCFE Workstation**

The term “CCFE Workstation” means any computer connected to the CCFE Trading Platform, including by means of CCFE’s application program interface, for the purpose of trading Contracts.

**112. CCX**

The term “CCX” means the Chicago Climate Exchange, Inc., a Delaware corporation.

**113. CEA**

The term “CEA” means the Commodity Exchange Act.

**114. Chairman of the Board**

The term “Chairman of the Board” means the individual serving as chairman of the board of the Exchange from time to time.

**115. Clearing Member**

The term “Clearing Member” means a member or participant of the Clearing Service Provider that is a Trading Privilege Holder and that is authorized pursuant to the Rules of the Clearing Service Provider to clear trades in any or all Contracts.



**116. Clearing Service Provider**

The term “Clearing Service Provider” means The Clearing Corporation or another clearing house or clearing organization designated by the Exchange from time to time.

**117. Combination Trade**

The term “Combination Trade” means a transaction in which two or more Contracts are executed simultaneously at a single price.

**118. Commission**

The term “Commission” means the Commodity Futures Trading Commission.

**119. Commission Regulation**

The term “Commission Regulation” means any rule, regulation, order, directive and any interpretation thereof promulgated by the Commission.

**120. Commodity**

The term “Commodity” has the meaning set forth in Section 1a(4) of the CEA.

**121. Compliance Service Provider**

The term “Compliance Service Provider” means the NFA or other entity unaffiliated with the Exchange to which the Exchange delegates, by contract, certain of the compliance, investigatory, surveillance and enforcement functions of the Exchange.

**122. Constitutive Documents**

The term “Constitutive Documents” means the certificate of formation and the limited liability company agreement of the Exchange, each as amended or otherwise modified from time to time.

**123. Contract**

The term “Contract” means any Future or Option on Futures.

**124. Control**

The term “Control” means the power to exercise a controlling influence over the management or policies of a Person, unless such power is solely the result of an official position with such Person. Any Person who owns beneficially, directly or indirectly, more than 20% of the voting power in the election of directors of a corporation, or more than 25% of the voting power in the election of directors of any

other corporation which directly or through one or more Affiliates owns beneficially more than 25% of the voting power in the election of directors of such corporation, will be presumed to control such corporation. The terms “controlling” or “controlled” have meanings correlative to the foregoing.

**125. Customer**

The term “Customer” means any Person for whom a Trading Privilege Holder carries an account (other than such Trading Privilege Holder, any employee of such Trading Privilege Holder or any of its Affiliates) or from whom a Trading Privilege Holder solicits or accepts an Order.

**126. Delaware LLC Act**

The term “Delaware LLC Act” means the Delaware Limited Liability Company Act.

**127. Delivery Month**

The term “Delivery Month” means, with respect to any Contract, the month in which delivery of an Underlying Commodity is to be made pursuant to the terms of such Contract.

**128. Director of Hearings**

The term “Director of Hearings” means the individual appointed by the Exchange from time to time to act as its director of hearings.

**129. Disciplinary Panel**

The term “Disciplinary Panel” has the meaning set forth in Rule 710(a).

**130. Emergency**

The term “Emergency” means any occurrence or circumstance which threatens or may threaten such matters as the fair and orderly trading in, or the liquidation of or delivery pursuant to, any Contracts, and which, in the opinion of the President or his or her designee, requires immediate action, including: any manipulative or attempted manipulative activity; any actual, attempted or threatened corner, squeeze, congestion or undue concentration of positions; any circumstances which may materially affect the performance of agreements, Contracts or transactions traded on the Exchange, including failure of the payment system or the bankruptcy or insolvency of any Trading Privilege Holder or any other Person; any action taken by any Governmental Authority or any other board of trade, market or facility which may have a direct impact on trading on the Exchange; and any other circumstance which may have a severe, adverse effect upon the functioning of the Exchange.

### **131. Exchange**

The term “Exchange” means Chicago Climate Futures Exchange, LLC, a Delaware limited liability company, and when used with reference to the administration of any Rule of the Exchange means either the Board or the officer, employee, agent, committee or delegate to whom appropriate authority to administer such Rule has been delegated.

### **132. Exchange Business**

The term “Exchange Business” means any business with respect to which a Trading Privilege Holder is subject to the Rules of the Exchange, which is purportedly conducted subject to the Rules of the Exchange, or which should have been conducted subject to the Rules of the Exchange.

### **133. Exchange of Future for Physical**

The term “Exchange of Future for Physical” means any transaction entered into in accordance with the Rules of the Exchange, a component of which is not executed on the Exchange and a component or all of which involves a Contract.

### **134. Future**

The term “Future” means any contract for the purchase or sale of any Commodity for future delivery from time to time traded on or subject to the Rules of the Exchange.

### **135. Governmental Authority**

The term “Governmental Authority” means any domestic or foreign government (or political subdivision), governmental or regulatory authority, agency, court, commission or other governmental or regulatory entity (including any self-regulatory association).

### **136. Losses**

The term “Losses” has the meaning set forth in Rule 416.

### **137. Market Regulation Department**

The term “Market Regulation Department” means employees of the Exchange designated by the Exchange as members of the Market Regulation Department and agents of the Exchange (including any Compliance Service Provider) that assist the Exchange in the implementation, surveillance, and enforcing of its Rules and related obligations.

**138. NFA**

The term “NFA” means the National Futures Association.

**139. Noncustomer**

The term “Noncustomer” has the meaning assigned to it in the Margins Handbook prepared by the Joint Audit Committee.

**140. Option on Futures**

The term “Option on Futures” means any option from time to time traded subject to the Rules of the Exchange and issued or subject to issuance by the Clearing Service Provider pursuant to the Rules of the Clearing Service Provider, to buy or sell any Future.

**141. Order**

The term “Order” means any order to buy or sell a Contract on or subject to the Rules of the Exchange.

**142. Person**

The term “Person” means any natural person, association, partnership, limited liability company, joint venture, trust or corporation.

**143. President**

The term “President” means the individual serving as president of the Exchange from time to time.

**144. Reasonability Check**

The term “Reasonability Check” means the process of determining whether the price indicated on an Order for a Future is within the applicable Reasonability Limit.

**145. Reasonability Limit**

The term “Reasonability Limit” means, with respect to any Order for a Future, the limit from the previously traded price or datum for the same Future, set separately for each Future and specified in the Rules governing such Future, or as otherwise specified by the Exchange.

**146. Responsible Trader**

The term “Responsible Trader” has the meaning set forth in Rule 514(a).

#### **147. Review Panel**

The term “Review Panel” means a panel comprised of three Trading Privilege Holders (or officers of Trading Privilege Holders), one of whom shall act as chairman and one of whom will serve as vice-chairman. The Review Panel will, pursuant to the procedures set forth in Chapter 7, review investigation reports submitted to it by the Market Regulation Department to determine (a) whether a reasonable basis exists to believe that a violation of a Rule of the Exchange has occurred and (b) whether commencing disciplinary proceedings in respect of such potential violation is warranted. The members of the Review Panel will be appointed by the Board for a term of one year.

#### **148. Rule of the Clearing Service Provider**

The term “Rule of the Clearing Service Provider” means the certificate of incorporation, by-laws or other constitutive document, and any rule, interpretation, stated policy, or instrument corresponding to any of the foregoing, in each case as adopted from time to time by the Clearing Service Provider and relating to the Exchange or any or all of the Contracts.

#### **149. Rule of the Exchange**

The term “Rule of the Exchange” means any rule, interpretation, stated policy, or instrument corresponding to any of the foregoing, including these Rules, in each case as adopted from time to time by the Exchange.

#### **150. Secretary**

The term “Secretary” means the individual appointed by the Board from time to time to serve as secretary of the Exchange.

#### **151. Standing Committees**

The term “Standing Committees” has the meaning set forth in Rule 204(a).

#### **152. Summary Review Panel**

The term “Summary Review Panel” means a panel comprised of three Trading Privilege Holders (or officers of Trading Privilege Holders), one of whom shall act as chairman and one of whom will serve as vice-chairman. The Summary Review Panel will conduct hearings or reviews of summary suspensions and other summary actions pursuant to Rule 719.

#### **153. Trading Privilege Holder**

The term “Trading Privilege Holder” means any Person holding Trading Privileges. Trading Privilege Holders will be deemed to be members of the Exchange for purposes of the CEA and Commission Regulations thereunder.

#### **154. Trading Privileges**

The term “Trading Privileges” means a permit conferred by the Exchange on any Person in accordance with Rule 305 to access the CCFE Trading Platform.

#### **155. Trading Session**

The term “Trading Session” means, with respect to any Contract, the period of hours on any Business Day during which such Contract is available for trading, as specified in the Rules governing such Contract.

#### **156. Underlying Commodity**

The term “Underlying Commodity” means, with respect to any Future or Option on Futures, the Commodity which (or the cash value of which) is required to be delivered pursuant to the terms of such Future or Option on Futures.

#### **157. User Information**

The term “User Information” has the meaning set forth in Rule 514(b).

#### **158. Vice Chairman**

The term “Vice Chairman” means the individual serving as vice chairman of the Exchange from time to time.

#### **159. Vice President**

The term “Vice President” means any individual appointed by the Board from time to time to serve as a vice president of the Exchange.

### **Rules of Interpretation**

For all purposes of the Rules of the Exchange, except as otherwise expressly provided:

(a) capitalized terms defined in this Chapter 1 have the meanings assigned to them in this Chapter 1 and include the plural as well as the singular (and vice versa);

(b) any reference to a “day”, “month” or “year” refers to a calendar day, month or year, respectively;

(c) any time period provided for in these Rules which expires on a day which is not a Business Day will expire on the next succeeding Business Day;

(d) all references to “\$” or “Dollars” are to the lawful currency of the United States;

(e) all references to the Rules of the Exchange or Rules of the Clearing Service Provider will be deemed to be to such Rules as amended, modified, supplemented, restated or replaced from time to time;

(f) all references to any statute or regulation will be deemed to be to such statute or regulation as amended, modified, supplemented, restated or replaced from time to time (and, in the case of a statute, will be deemed to include any rules and regulations promulgated thereunder), and all references to any section of any statute or regulation will be deemed to include any successor to such section;

(g) all references to any Governmental Authority will be deemed to include any successor to such Governmental Authority;

(h) the table of contents of these Rules and the various headings contained herein are for reference purposes only and do not limit or otherwise affect any of the provisions hereof;

(i) unless the context otherwise requires, any reference to a “Chapter” or a “Rule” refers to a Chapter of, or a Rule in, as the case may be, these Rules; and

(j) the words “include”, “includes” and “including” will be deemed to be followed by the phrase “without limitation”.

## CHAPTER 2 GOVERNANCE OF THE EXCHANGE

### General

#### 201. Management by the Board

(a) CCX, the sole limited liability company member of the Exchange, has vested the power to manage, operate and set policies for the Exchange exclusively in the Board. The Board will consist of no less than three, and up to twelve, directors from time to time elected by CCX for such purpose. Meetings of the Board will be held at such times, on such dates and at such places as the Board may from time to time establish in accordance with the Constitutive Documents. Any or all members of the Board may participate in such meetings by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting will constitute presence in person at such a meeting. The presence of at least 50% of the members of the Board will constitute a quorum for the transaction of business; *provided* that a quorum will not exist unless at least two members of the Board are present; *provided, further*, that members of the Board that are recused with respect to a particular issue nevertheless will be deemed present for the purpose of determining the existence of a quorum. Special meetings of the Board may be called by the Chairman of the Board, and will be called by the Secretary upon the written request of any two members of the Board. The Secretary will give at least one hour's notice of such meetings to each member of the Board. Decisions of the Board will require the approval of a majority of the members of the Board present at a meeting; *provided* that should the Board be unable to render a decision due to either a tie in the vote or more than one Board member being recused with respect to the issue being voted upon, then CCX, as the sole limited liability company member of the Exchange, may make the decision in lieu of the Board. The Board also may make decisions, without holding a meeting, by written consent of all of the members of the Board. Any such written consent may be executed in any number of counterparts, each such counterpart being deemed to be an original instrument, and all such counterparts together constituting the same consent. The Board may establish such other rules and procedures for its deliberations as it may deem necessary or desirable. Members of the Board may be removed from, and substitute or additional members of the Board may be appointed to, the Board, at any time by CCX.

(b) The Board has the power by itself or through agents, and is authorized and empowered on behalf and in the name of the Exchange, to carry out all of the objects and purposes of the Exchange and to perform all acts and enter into and perform all acts and other undertakings that it may in its discretion deem necessary or advisable in that regard. A member of the Board acting individually in his or her capacity has the power to act for or



bind the Exchange to the extent authorized to do so by the Board. The Chairman of the Board, the President and the Secretary have been designated as authorized persons within the meaning of the Delaware LLC Act, to execute and file any amendments to, or restatements of, the Exchange's certificate of formation with the Secretary of State of the State of Delaware and any applicable filings as a foreign limited liability company in any State where such filings may be necessary or desirable. The Board may confer upon any officer of the Exchange elected in accordance with the procedures described in paragraph (c) below, any of the powers of the Board.

(c) The Chairman of the Board shall be the individual serving as the Chairman of the board of directors of CCX from time to time, the Vice Chairman shall be the individual serving as the vice chairman of CCX from time to time and the President shall be the individual serving as president of CCX from time to time. The Board has the power to appoint such officers of the Exchange as it may deem necessary or appropriate from time to time. All officers of the Exchange appointed by the Board will hold office for such terms as may be determined by the Board or until their respective successors are chosen. Any officer, other than the Chairman of the Board, the Vice Chairman and the President, may be removed from his or her position as an officer of the Exchange at any time either with or without cause by the Chairman of the Board, the President or the affirmative vote of a majority of the members of the Board then in office. Each of the officers of the Exchange will have the powers and duties prescribed by the Board and, unless otherwise prescribed by the Board, will have such further powers and duties as ordinarily pertain to that office.

## **202. Certain Powers of the Board**

(a) Unless otherwise specified by the Board, all Rules of the Exchange and amendments thereto from time to time adopted by the Board will become effective on such date (after any required filing with, or approval thereof by, the Commission) as may be determined by the Board.

(b) The Board will determine which Contracts are available from time to time for trading subject to the Rules of the Exchange, and approve Rules of the Exchange containing specifications for such Contracts; *provided* that the Board may delegate the authority to approve such Rules to an Exchange committee or one or more officers of the Exchange; *provided, further*, that certifications or applications with respect to such Rules will be submitted to the Commission as required by the CEA and the Commission Regulations thereunder.

(c) The Board may from time to time cause the Exchange to enter into such agreements with domestic or foreign self-regulatory associations, other associations, boards of trade and their respective regulators providing for the exchange of information and other forms of mutual assistance for financial

surveillance, routine audits, market surveillance, investigative, enforcement and other regulatory purposes as the Board may consider necessary or appropriate or as the Commission may require.

### **203. Liability; Indemnification**

(a) Neither CCX, solely by reason of being the sole limited liability company member of the Exchange, nor any member of the Board or any officer, employee or agent of the Exchange, solely by reason of acting in such capacity (including a Person having more than one such capacity), will be personally liable for any expenses, liabilities, debts or obligations of the Exchange, except as otherwise provided by the Delaware LLC Act.

(b) The Exchange will, to the full extent permitted by Applicable Law, indemnify any Person who is or is threatened to be, made a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such Person is or was a limited liability company member of the Exchange, a member of the Board, officer, or member of a committee of the Board or the Exchange, or is or was serving at the request of the Exchange as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, for, and hold each such Person harmless against, any and all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him, her or it in connection with such action, suit or proceeding; *provided* that such indemnification will not apply to any such Person if a court of competent jurisdiction has made a final determination that such claim resulted directly from the gross negligence, bad faith or willful misconduct of such Person.

(c) Persons not expressly covered by paragraph (b) of this Rule 203, such as those (i) who are or were employees or agents of the Exchange, or are or were serving at the request of the Exchange as employees or agents of another corporation, partnership, joint venture, trust or other enterprise, or (ii) who are or were directors, officers, employees or agents of a constituent corporation absorbed in a consolidation or merger in which the Exchange was the resulting or surviving corporation, or who are or were serving at the request of such constituent corporation as directors, officers, employees or agents of another corporation, partnership, joint venture, trust or other enterprise, may be indemnified to the extent authorized at any time or from time to time by the Board.

(d) The indemnification provided or permitted by this Rule 203 will not be deemed exclusive of any other rights to which those indemnified may be entitled by Applicable Law or otherwise, and will continue as to a Person who has ceased to be a director, officer, employee or agent and will inure to the benefit of the heirs, executors and administrators of such Person.

(e) The provisions of this Rule 203 will be deemed to be a contract between the Exchange and each member of the Board, officer or member of a committee of the Board or the Exchange who serves in any such capacity at any time while this Rule 203 is in effect, and any repeal or modification of any Applicable Law or of this Rule 203 will not affect any rights or obligations then existing with respect to any state of facts then or theretofore existing or any action, suit or proceeding theretofore or thereafter brought or threatened based in whole or in part upon any such state of facts.

## **Committees and Officers**

### **204. Committees of the Board**

(a) The Board will have such “Standing Committees” as the Board may from time to time appoint.

(b) Except as otherwise specifically provided in these Rules, the members of Standing Committees will be members of the Board and appointed by the Chairman of the Board, subject to the approval of the Board, as promptly as possible after each annual meeting of the Exchange. Each appointee will serve for one year or until the due appointment of his or her successor or his or her resignation or removal, with or without cause, by a majority vote of the Board. Subject to the approval of the Board, the Chairman of the Board will also designate the chairman of each Standing Committee.

(c) Each Standing Committee will assist in the supervision, management and control of the affairs of the Exchange within its particular area of responsibility. Subject to the control and supervision of the Board, each Standing Committee will recommend for adoption such Rules of the Exchange or amendments thereto as it may deem necessary or advisable for the orderly conduct of its business, and administer the Rules of the Exchange within its particular area of responsibility.

(d) Except as may be otherwise provided in the Constitutive Documents, and subject to the authority of the Board, each Standing Committee will determine the manner, form and time of conducting its proceedings. Each Standing Committee may act at a meeting, through a quorum composed of a majority of all its members then in office, exclusive of *ex officio* members; *provided* that a quorum will not exist unless at least two members of any such Standing Committee are present; *provided, further*, that members of a Standing Committee that are recused with respect to a particular issue nevertheless will be deemed present for the purpose of determining the existence of a quorum. The decision of a majority of those voting at a meeting at which a quorum is present will be the decision of the Standing Committee. Any or all members of any Standing Committee may participate in any meeting thereof by means of conference telephone or other

communications equipment by means of which all members participating in such meeting can hear each other. Alternatively, each Standing Committee may act without a meeting if all of its members consent in writing to the action in question.

(e) In the event of the absence or disqualification of any member of a Standing Committee from any meeting thereof, the Chairman of the Board or the President, in the order of their availability, may appoint another qualified individual to act at the relevant meeting in the place of such absent or disqualified member.

(f) In addition to the Standing Committees, the Board may from time to time constitute and appoint, by rule or resolution, special committees of the Board and designate their composition, responsibilities and powers. The provisions regarding Standing Committees in paragraphs (a) through (e) above will apply to any such special committees of the Board with any such modifications or adaptations as may be necessary or appropriate under the circumstances.

## **205. Exchange Committees**

(a) The Exchange may create such Exchange committees as it may from time to time deem necessary or advisable. Members of such committees may be members of the Board, Trading Privilege Holders or general partners, shareholders or LLC members (as applicable) or officers or employees of Trading Privilege Holders, Authorized Traders or other individuals who are considered to be qualified, subject to any regulatory requirements. The Chairman of the Board and President will be non-voting *ex officio* members of each such committee. Except as may be otherwise provided in the Constitutive Documents, and subject to the authority of the Board, each such committee will determine the manner, form and time of conducting its proceedings. The vote of a majority of the members of any such committee voting at a meeting at which a quorum is present will be the act of such committee. Alternatively, each such committee may act by written consent of a majority of its members.

(b) The provisions regarding Standing Committees in Rule 204 will apply to any Exchange committees formed pursuant to paragraph (a) above with any such modifications or adaptations as may be necessary or appropriate under the circumstances.

## **206. Eligibility**

(a) No Person may serve as a member of the Board, any Review Panel, any Disciplinary Panel, Appeals Panel or any other disciplinary committee, arbitration panel or oversight panel of the Exchange if the Person:

(i) was found within the past three years by a final decision of a self-regulatory organization, an administrative law judge, a court of competent jurisdiction or the Commission to have committed a disciplinary offense;

(ii) entered into a settlement agreement within the past three years in which any of the findings or, in absence of such findings, any of the acts charged included a disciplinary offense;

(iii) is currently suspended from trading on any contract market, is suspended or expelled from membership with any self-regulatory organization, is serving any sentence of probation or owes any portion of a fine imposed pursuant to either:

(A) a finding by a final decision of a self-regulatory organization, an administrative law judge, a court of competent jurisdiction or the Commission that such person committed a disciplinary offense; or

(B) a settlement agreement in which any of the findings or, in absence of such findings, any of the acts charged included a disciplinary offense;

(iv) is currently subject to an agreement with the Commission or any self-regulatory organization not to apply for registration with the Commission or membership in any self-regulatory organization;

(v) is currently subject to or has had imposed on him or her within the past three years a Commission registration revocation or suspension in any capacity for any reason, or has been convicted within the past three years of any of the felonies listed in section 8a(2)(D)(ii) through (iv) of the CEA; or

(vi) is currently subject to a denial, suspension or disqualification from serving on the disciplinary committee, arbitration panel or governing board of any self-regulatory organization as that term is defined in section 3(a)(26) of the Securities Exchange Act of 1934.

(b) For purposes of Rule 206(a), the terms “self-regulatory organization,” “disciplinary committee,” “arbitration panel,” “oversight panel,” “final decision,” “disciplinary offense,” and “settlement agreement” have the meanings set forth in Commission Regulation § 1.63(a).

**(c) Disclosure. Upon the occurrence of an event listed in Rule 206(a) with respect to a member of the Board, Review Panel, Disciplinary Panel, Appeals Panel or any other disciplinary committee, arbitration panel or oversight panel of the Exchange, such member shall disclose the occurrence of such event to the General Counsel, or his or her designee.**

## **207. Officers**

The Board will appoint a President, two Vice Presidents, a Secretary, a General Counsel and such other officers as it may deem necessary or appropriate from time to time, in each case for such term and on such other conditions as it sees fit. Any officer of the Exchange may be a director, officer or employee of CCX.

## **208. Power of the Board to Review Decisions**

The Board has the power and authority to call for review, and to affirm, modify, suspend or overrule, any and all decisions and actions of Standing Committees, special committees of the Board formed pursuant to Rule 204(f), Exchange committees formed pursuant to Rule 205 and officers of the Exchange appointed pursuant to Rule 207.

## **Confidentiality and Conflicts of Interest**

### **209. Confidentiality**

(a) No member of the Board or any committee established by the Board or by or pursuant to the Rules of the Exchange will use or disclose any material non-public information obtained in connection with such member's participation in the Board or such committee, for any purpose other than the performance of his or her official duties as a member of the Board or such committee.

(b) No officer, employee or agent of the Exchange will (i) trade in any commodity interest if such officer, employee or agent has access to material non-public information concerning such commodity interest or (ii) disclose to any other Person material non-public information obtained in connection with such employee's, officer's or agent's employment, if such employee, officer or agent could reasonably expect that such information may assist another Person in trading any commodity interest.

(c) For purposes of this Rule 209, the terms "employee," "material information," "non-public information" and "commodity interest" have the meanings ascribed to them in Commission Regulation § 1.59.

### **210. Conflicts of Interest**

(a) *Named Party in Interest Conflict.*

(i) *Prohibition.* No member of the Board, any Review Panel, any Disciplinary Panel, any Appeals Panel or any other "disciplinary committee" or "oversight panel" (both as defined in Commission Regulation § 1.69) of the Exchange will knowingly participate in such body's deliberations or voting in any matter involving a named party in interest where such member (A) is a named party in interest, (B) is an

employer, employee or fellow employee of a named party in interest, (C) has any other significant, ongoing business relationship with a named party in interest, excluding relationships limited to executing Futures or Options on Futures transactions opposite each other or to clearing Futures or Options on Futures transactions through the same Clearing Members or (D) has a family relationship with a named party in interest. For purposes of this clause (i), a “family relationship” exists between a named party in interest and a member if such party is the member’s spouse, former spouse, parent, stepparent, child, sibling, stepbrother, stepsister, grandparent, grandchild, uncle, aunt, nephew, niece or in-law.

(ii) *Disclosure.* Prior to consideration of any matter involving a named party in interest, each member of the deliberating body who does not choose to abstain from deliberations and voting will disclose to the General Counsel, or his or her designee, whether such member has one of the relationships listed in clause (i) above with a named party in interest.

(iii) *Procedure and Determination.* The General Counsel, or his or her designee, will determine whether any member of the relevant deliberating body who does not choose to abstain from deliberations and voting is subject to a conflicts restriction under this paragraph (a). Such determination will be based upon a review of the following information:

(A) information provided by such member pursuant to clause (ii) above; and

(B) any other source of information that is held by and reasonably available to the Exchange.

(b) *Financial Interest in a Significant Action Conflict.*

(i) *Prohibition.* No member of the Board, any Review Panel, any Disciplinary Panel, any Appeals Panel or any other “disciplinary committee” or “oversight panel” (both as defined in Commission Regulation § 1.69) of the Exchange will participate in such body’s deliberations and voting on any significant action if such member knowingly has a direct and substantial financial interest in the result of the vote based upon either Exchange or non-Exchange positions that could reasonably be expected to be affected by the significant action under consideration, as determined pursuant to clause (iii) below. For purposes of this clause (i), the term “significant action” means (A) any action or rule change that addresses a specific Emergency or (B) any change in margin level that is designed to respond to extraordinary market conditions or that otherwise is likely to have a substantial effect on prices in any Contract.



(ii) *Disclosure.* Prior to consideration of any significant action, each member of the deliberating body who does not choose to abstain from deliberations and voting will disclose to the General Counsel, or his or her designee, position information (including information regarding positions held by such member, positions held by individuals of such member's family and positions held by a firm with which such member is affiliated) that is known to such member with respect to any particular month or months that are under consideration, and any other positions which the deliberating body reasonably expects could be affected by the significant action, as follows:

(A) gross positions held at the Exchange in such member's personal accounts or "controlled accounts," as defined in Commission Regulation § 1.3(j);

(B) gross positions held at the Exchange in proprietary accounts, as defined in Commission Regulation § 1.17(b)(3), at such member's affiliated firm;

(C) gross positions held at the Exchange in accounts in which such member is a principal, as defined in Commission Regulation § 3.1(a);

(D) net positions held at the Exchange in Customer accounts, as defined in Commission Regulation § 1.17(b)(2), at such member's affiliated firm; and

(E) any other types of positions, whether maintained at the Exchange or elsewhere, held in such member's personal accounts or the proprietary accounts of such member's affiliated firm, that the Exchange reasonably expects could be affected by the significant action.

(iii) *Procedure and Determination.* The General Counsel, or his or her designee, will determine whether any member of the relevant deliberating body who does not choose to abstain from deliberations and voting is subject to a conflicts restriction under this paragraph (b). Such determination will be based upon a review of the following information:

(A) the most recent large trader reports and clearing records available to the Exchange;

(B) information provided by such member pursuant to clause (ii) above; and

(C) any other source of information that is held by and reasonably available to the Exchange taking into consideration the exigency of the significant action being contemplated.



Unless the deliberating body establishes a lower position level, a member thereof will be subject to the prohibition set forth in clause (i) above if the review by the General Counsel, or his or her designee, identifies a position in such member's personal or controlled accounts or accounts in which such member is a principal as specified in subclauses (ii)(A), (C) and (E), in excess of an aggregate number of 10 lots of Futures and Options on Futures converted to Futures equivalents, taken together, or a position in the accounts of such member's affiliated firm as specified in subclauses (ii)(B), (D) and (E), in excess of an aggregate number of 100 lots of Futures and Options on Futures converted to Futures equivalents, taken together.

(iv) *Deliberation Exemption.* Any member of the Board, any Review Panel, any Disciplinary Panel, any Appeals Panel or any other "disciplinary committee" or "oversight panel" (both as defined in Commission Regulation § 1.69) of the Exchange who would otherwise be required to abstain from deliberations and voting pursuant to clause (i) above may participate in deliberations, but not voting, if the deliberating body, after considering the factors specified below, determines that such participation would be consistent with the public interest; *provided, however,* that before reaching any such determination, the deliberating body will fully consider the position information specified in clause (ii) above which is the basis for such member's substantial financial interest in the significant action that is being contemplated. In making its determination, the deliberating body will consider:

(A) whether such member's participation in the deliberations is necessary to achieve a quorum; and

(B) whether such member has unique or special expertise, knowledge or experience in the matter being considered.

(c) *Documentation.* The minutes of any meeting to which the conflicts determination procedures set forth in this Rule 210 apply will reflect the following information:

(i) the names of all members of the relevant deliberating body who attended such meeting in person or who otherwise participated in such meeting;

(ii) the name of any member of the relevant deliberating body who voluntarily recused himself or herself or was required to abstain from deliberations or voting on a matter and the reason for the recusal or abstention, if stated;

(iii) information on the position information that was reviewed for each member of the relevant deliberating body; and

(iv) any determination made in accordance with clause (iv) of paragraph (b) above.

## **211. Regulatory Cooperation**

The Exchange may from time to time enter into such agreements with domestic or foreign self-regulatory associations, other associations, boards of trade and their respective regulators providing for the exchange of information and other forms of mutual assistance for financial surveillance, routine audits, market surveillance, investigative, enforcement and other regulatory purposes as the Exchange may consider necessary or appropriate or as the Commission may require.

## **CHAPTER 3**

### **MEMBERSHIP AND TRADING PRIVILEGES**

#### **General**

#### **301. Limited Liability Company Member**

All equity interests in the Exchange are and at all times will be held by CCX, the sole limited liability company member of the Exchange, and all voting rights related to such interests will be exercised by CCX in accordance with the Rules of the Exchange.

#### **302. Trading Privilege Holders**

Subject to the requirements and procedures set forth in this Chapter 3, Trading Privileges will be offered to all applicants from time to time approved by the Exchange as eligible to be Trading Privilege Holders, subject to any limitations or restrictions from time to time imposed by the Exchange. Trading Privileges are non-transferable, non-assignable and may not be sold or leased. Each Trading Privilege Holder will have the right to access the CCFE Trading Platform, including the right to place Orders for each of its proprietary accounts and, if otherwise registered in any required capacity and authorized to act on behalf of Customers under the CEA and Commission Regulations thereunder, for the accounts of such Customers.

By virtue of obtaining Trading Privileges, a Trading Privilege Holder will not obtain any equity or other interest in the Exchange, including voting rights or rights to receive any dividends or other distributions, whether arising from a dissolution, merger or consolidation involving the Exchange or otherwise.

#### **303. Authorized Traders**

Each Trading Privilege Holder may from time to time permit one or more individuals to act as its Authorized Traders. Each Authorized Trader will satisfy such requirements as may be prescribed by the Exchange from time to time. Without limiting the generality of the foregoing, each Trading Privilege Holder will ensure on an ongoing basis that (i) none of its Authorized Traders is subject to a disqualification pursuant to any Applicable Law (unless an appropriate exemption has been obtained with respect thereto) and (ii) each of its Authorized Traders is technically proficient and conducts its business in a fair and equitable manner.

#### **Trading Privilege Holders**

#### **304. Eligibility for Trading Privileges**

(a) Any Person that wishes to have Trading Privileges must be of good financial standing and must meet the financial and related reporting requirements of Rules 503 and 504, as applicable. In addition, such Person must be (i) a registered futures commission merchant, introducing broker,

commodity trading advisor, commodity pool operator, floor broker or floor trader, each as defined in Section 1a of the CEA, (ii) a Person authorized to perform functions similar or equivalent to those of any of the Persons enumerated in clause (i) above, whether on a proprietary basis or for the account of Customers, in any jurisdiction outside the United States of America in which the Exchange may be permitted from time to time to operate CCFE Workstations or (iii) any other Person that meets such standards as may be prescribed by the Exchange from time to time; *provided* that any such Person referred to in clause (i), (ii) or (iii) that is not a Clearing Member will be guaranteed by a Clearing Member in the manner described in Rule 1101. In granting Trading Privileges, the Exchange may impose such restrictions or limitations as it may deem necessary or appropriate.

The Exchange will deny the grant of Trading Privileges where an applicant has failed to meet any requirements for such grant.

The Exchange may deny (or may condition) the grant of Trading Privileges, or may prevent a Person from becoming associated (or may condition an association) with a Trading Privilege Holder for the same reasons for which the NFA may deny or revoke registration of such Person as a futures commission merchant.

The Exchange also may deny (or may condition) the grant of Trading Privileges, or may prevent a Person from becoming associated (or may condition an association) with a Trading Privilege Holder if such Person:

- (i) is unable satisfactorily to demonstrate a capacity to adhere to all applicable Rules of the Exchange, Rules of the Clearing Service Provider and Commission Regulations, including those concerning record-keeping, reporting, finance and trading procedures;
- (ii) would bring the Exchange into disrepute; or
- (iii) for such other cause as the Exchange reasonably may decide.

(b) The Exchange may determine not to permit a Trading Privilege Holder or any Authorized Trader of a Trading Privilege Holder to keep its, his or her Trading Privileges or maintain his or her association with a Trading Privilege Holder, or may condition such Trading Privileges or association, as the case may be, if such Trading Privilege Holder or Authorized Trader:

- (i) fails to meet any of the qualification requirements for Trading Privileges or association after such Trading Privileges or association have been approved;
- (ii) fails to meet any condition placed by the Exchange on such Trading Privileges or association; or

(iii) violates any agreement with the Exchange.

(c) Any decision made by the Exchange pursuant to this Rule 304 must be consistent with both the provisions of this Rule and the CEA and Commission Regulations thereunder.

Any applicant who has been denied Trading Privileges or association with a Trading Privilege Holder or granted only conditional Trading Privileges or association, pursuant to this Rule 304, and any Trading Privilege Holder or Authorized Trader of a Trading Privilege Holder who is not permitted to keep its, his or her Trading Privileges or maintain his or her association with a Trading Privilege Holder or whose Trading Privileges or association are conditioned pursuant to this Rule 304, may appeal the Exchange's decision in accordance with the provisions of Chapter 9. No determination of the Exchange to discontinue or condition a Person's Trading Privileges or association with a Trading Privilege Holder pursuant to this Rule 304 will take effect until the review procedures under Chapter 9 have been exhausted or the time for review has expired.

Any applicant to become a Trading Privilege Holder who has been denied Trading Privileges pursuant to this Rule 304 will not be eligible for re-application during the six months immediately following such denial.

### **305. Application for Trading Privileges**

(a) Each applicant for Trading Privileges will submit an application to the Exchange in a form and manner prescribed by the Exchange. Each applicant will promptly update the application materials if any of the information provided therein becomes inaccurate or incomplete after the date of submission and prior to any approval of the application. The Exchange will act upon, and approve or disapprove, any such application without unreasonable delay, provided that the Exchange may delegate its responsibilities under this Rule 305(a) to its Compliance Service Provider.

(b) Each Person approved as a Trading Privilege Holder in accordance with paragraph (a) above will:

(i) pay to the Exchange any applicable application fee, in such amount as may be prescribed by the Exchange from time to time; and

(ii) agree in writing to abide by the Rules of the Exchange.

(c) Upon satisfaction of the requirements and procedures set forth in paragraphs (a) and (b) above, a Person applying for Trading Privileges will obtain Trading Privileges. If the application process is not completed within six months of submission of an application and payment of any applicable fee, the application will be deemed to be withdrawn.

### **306. Dues, Assessments and Fees**

(a) The Exchange has the sole power to set the dates and amounts of any dues, assessments or fees to be levied on Trading Privilege Holders, which dues, assessments or fees will be paid to the Exchange when due.

(b) If a Trading Privilege Holder fails to pay when due any Exchange dues, assessments or fees levied on such Trading Privilege Holder, and such payment obligation remains unsatisfied for six consecutive months after its due date, the Exchange may suspend, revoke, limit, condition, restrict or qualify the Trading Privileges of such Trading Privilege Holder as it deems necessary or appropriate.

### **307. Limitations of Trading Privileges**

(a) Notwithstanding anything in Rule 304 to the contrary, the Exchange may at any time revoke, suspend, limit, condition, restrict or qualify the Trading Privileges of any Trading Privilege Holder if, in the sole discretion of the Exchange, such action is in the best interests of the Exchange. Any sanction imposed on a Trading Privilege Holder pursuant to this paragraph (a) may be appealed by such Trading Privilege Holder in accordance with the provisions of Chapter 9.

(b) If a Clearing Member revokes any authorization granted and guarantee made by it to any Trading Privilege Holder pursuant to Rule 1101(b), such Trading Privilege Holder's Trading Privileges will be automatically terminated, and such Trading Privilege Holder must obtain another guarantee from a Clearing Member before its Trading Privileges will be reinstated. If such Trading Privilege Holder fails to obtain such a replacement guarantee within three months from the revocation of the guarantee by its previous Clearing Member, its Trading Privilege Holder status will be automatically terminated.

### **308. Application of Rules and Jurisdiction**

(a) By accessing, or entering any Order into, the CCFE Trading Platform, and without any need for any further action, undertaking or agreement, a Trading Privilege Holder or Authorized Trader agrees (i) to be bound by, and comply with, the Rules of the Exchange, the Rules of the Clearing Service Provider and Applicable Law, in each case to the extent applicable to it, him or her, and (ii) to become subject to the jurisdiction of the Exchange with respect to any and all matters arising from, related to, or in connection with, the status, actions or omissions of such Trading Privilege Holder or Authorized Trader.

(b) Any Trading Privilege Holder or Authorized Trader whose Trading Privileges are revoked or terminated, whether pursuant to Rule 307 or Chapter 7, will remain bound by the Rules of the Exchange, the Rules of the

Clearing Service Provider and Applicable Law, in each case to the extent applicable to it, and subject to the jurisdiction of the Exchange with respect to any and all matters arising from, related to, or in connection with, the status, actions or omissions of such Trading Privilege Holder or Authorized Trader prior to such revocation or termination.

## **Exchange Communications**

### **309. Recording of Communications**

The Exchange may record conversations and retain copies of electronic communications between officers, employees or agents of the Exchange, on one hand, and Trading Privilege Holders (including their Related Parties) or Authorized Traders, on the other hand. Any such recordings or other records may be retained by the Exchange in such manner and for such periods of time as the Exchange may deem necessary or appropriate.

### **310. Notices**

The Exchange will publish a notice with respect to each addition to, modification of, or clarification of the Rules of the Exchange, or of any action taken to implement any Rule of the Exchange, in a form and manner that is reasonably designed to enable each Trading Privilege Holder to become aware of and familiar with, and to implement any necessary preparatory measures to be taken by it with respect to, such addition or modification, prior to the effective date thereof; *provided* that any failure of the Exchange to so publish a notice will not affect the effectiveness of the addition or modification in question. Each Trading Privilege Holder will provide its respective Authorized Traders with copies of any such notice. For purposes of publication in accordance with the first sentence of this Rule 310, it will be sufficient (without limiting the discretion of the Exchange as to any other reasonable means of communication) if a notice is (a) sent to each Trading Privilege Holder by mail, recognized courier service, facsimile or electronic mail (including by means of a hyperlink included in an electronic mail message), to the address, facsimile number or electronic mail address (as applicable) provided by such Trading Privilege Holder for such purpose and (b) published on the Exchange's website.

## **CHAPTER 4**

### **TRADING PROCEDURES AND STANDARDS**

#### **Trading**

##### **401. Trading Sessions.**

Except as otherwise provided in the Rules of the Exchange or determined by the Board, Orders for any Contract will only be executed during the Trading Session for such Contract. The Exchange may from time to time modify its regular Trading Session and establish Trading Sessions, in addition to the regular Trading Sessions, as it deems appropriate.

##### **402. Opening of Trading.**

(a) Trading in all Delivery Months for each Contract will be opened simultaneously, without trading rotations.

(b) Orders for a particular Contract that are placed before a Trading Session for such Contract commences will be executed at the opening of such Trading Session in such manner as the Exchange may specify from time to time.

#### **Handling and Matching of Orders**

##### **403. Handling of Orders.**

(a) Except as otherwise expressly provided in these Rules, all transactions of any type in or involving Contracts must be bid or offered, and executed, through the CCFE Trading Platform.

(b) Orders for a particular Contract may be entered into the CCFE Trading Platform only:

(i) during a Trading Session or a designated pre-opening period for such Contract;

(ii) in such form as the Exchange may specify from time to time; and

(iii) by a Trading Privilege Holder or an Authorized Trader.

(c) Each Trading Privilege Holder or Authorized Trader will enter Orders for a proprietary, Customer or Noncustomer account of such Trading Privilege Holder by electronic transmission through a CCFE Workstation, and the Exchange will maintain an electronic record of those entries. Each Trading



Privilege Holder will be responsible for any and all Orders entered by it or any of its Authorized Traders.

(d) Each Authorized Trader may only trade on behalf of the Trading Privilege Holder or Holders for whom he or she is authorized to trade pursuant to an express agreement, or pursuant to an employment relationship, with such Trading Privilege Holder or Holders. An Authorized Trader may not be compensated on a commission or per contract basis for Customer Orders (other than compensation paid to the Authorized Trader by a Trading Privilege Holder that employs such Authorized Trader). However, if an Authorized Trader is registered with the NFA as an introducing broker, and is acting in such capacity on behalf of a Customer or Trading Privilege Holder, the Authorized Trader may receive such commission as may be agreed between the Authorized Trader and the Customer or Trading Privilege Holder, as applicable. Nothing in this paragraph (d) will be construed to place any responsibility or liability upon the Exchange for payment of any such commission to an Authorized Trader.

(e) With respect to Orders received by a Trading Privilege Holder or Authorized Trader which are capable of being, and are, immediately entered into the CCFE Trading Platform, no record needs to be created except as may be required by Rule 501 or Applicable Law. However, if a Trading Privilege Holder or Authorized Trader receives an Order which cannot be, or is not, immediately entered into the CCFE Trading Platform, such Trading Privilege Holder or Authorized Trader must prepare a written, non-alterable, pre-numbered Order form and include therein the account designation, date, time stamped upon receipt and other required information. Any such Order referred to in the immediately preceding sentence must be entered into the CCFE Trading Platform as soon as it is possible to enter it into the CCFE Trading Platform.

(f) Orders may be entered into the CCFE Trading Platform to purchase or sell Contracts or for such Combination Trades as may be provided for in or pursuant to these Rules.

#### **404. Order Types and Characteristics**

(a) *Order Execution Types.* The CCFE Trading Platform will accept Orders that are either Limit Orders, Market Orders, Good-'til-Day Orders or Good-After-Logout Orders.

(i) *Limit Orders.* A "Limit Order" is an Order to purchase or sell a Contract at a specified price or better. A Limit Order will be executed when entered to the extent that there are opposite Orders open in the CCFE Trading Platform, with any balance to remain as an open Order until it automatically expires at the end of a Trading Session, is executed or is cancelled.

(ii) *Market Orders.* A “Market Order” is an Order to buy or sell a Contract at the best price available in the CCFE Trading Platform at the time the Order is entered. A Market Order will be executed when entered to the extent that there are opposite Orders open in the CCFE Trading Platform, with any balance to remain as an open Order until it automatically expires at the end of a Trading Session, is executed or is cancelled. If the CCFE Trading Platform does not list or publish a price for a Contract, then before a Market Order can be executed, a Trading Privilege Holder or Authorized Trader must enter a request for quotation for the relevant Contract.

(iii) *Good-’til-Day Order.* A “Good-’til-Day Order” is an order that, unless executed or withdrawn by the Trading Privilege Holder who placed it, remains on the CCFE Trading Platform until the close of the current day’s Trading Session. A Good-’til-Day Order will be cancelled automatically if the Trading Privilege Holder or Authorized Trader who placed it signs off from the CCFE Trading Platform.

(iv) *Good-After-Logout Order.* A “Good-After-Logout Order” is an order that, unless executed, remains on the CCFE Trading Platform after the Trading Privileged Holder or Authorized Trader has signed off from the CCFE Trading Platform and until the close of the current day’s Trading Session.

(b) The CCFE Trading Platform will apply Reasonability Checks, to the extent applicable to particular Contracts, prior to an Order entering the CCFE Trading Platform. The level and extent of such Reasonability Checks will be specified from time to time by the Exchange. Reasonability Checks will not apply to Orders in Options on Futures.

(c) *Limitations.* Orders entered into the CCFE Trading Platform may contain such limitations as may from time to time be approved by the Exchange.

(d) *Customer Orders.* Each Customer Order entered into the CCFE Trading Platform must be for one Customer account, except that a Customer Order may be for more than one Customer account if placed by, or on instructions from, a Person with trading discretion over such accounts and if either:

(i) All of the following requirements are met:

(A) Such Person is an “eligible account manager” as defined in Commission Regulation § 1.35(a-1)(5)(i); and

(B) All such accounts are for entities of a type described in Commission Regulation § 1.35(a-1)(5)(ii); or

(ii) A written, pre-determined allocation scheme has been provided to the Trading Privilege Holder entering the Order into the CCFE Trading Platform at or prior to the time the Order is so entered, and the Order entered into the CCFE Trading Platform has a bunched Order indicator in such form as the Exchange may prescribe.

(e) *Contents of Order.* Each Order entered into the CCFE Trading Platform must be in such form as the Exchange may from time to time prescribe and must contain such information as the Exchange may from time to time require. Without limiting the generality of the foregoing, each Order must include the originator of the Order (including the User Information of the Trading Privilege Holder by or on behalf of which the Order is being placed, and an identifier of the Authorized Trader placing the Order), the Contract, the Delivery Month, the bid or ask price, the Order type, the quantity, an account number or identifier, the applicable Customer type indicator under Commission Regulations, and an origin code (showing whether the Order is for the Trading Privilege Holder's house clearing account or the Customer or Noncustomer clearing account with the Clearing Service Provider). Orders for Options on Futures must also include the strike price and whether the Order is a call or a put. Any Order not complying in full with the foregoing requirements will not be accepted by the CCFE Trading Platform.

(f) *Changes and Cancellations.* All Orders entered into the CCFE Trading Platform will remain open for the applicable pre-opening period and the Trading Session, and will be automatically cancelled at the end of such Trading Session. A Trading Privilege Holder may change any Order entered into the CCFE Trading Platform that was entered by it or on its behalf, at any time prior to its expiration, execution or cancellation. A change to any Order will become effective upon receipt by the CCFE Trading Platform of an instruction to modify such Order. Any such instruction will be written or electronically submitted. Any such change will be treated as the deletion of the existing Order and the entry of a new Order for all purposes (including time priority), unless the change consists only of one or more of the following:

- (i) reduction of quantity;
- (ii) change of CTI or origin code;
- (iii) adding, modifying or deleting free text; or
- (iv) such other change as the Exchange may from time to time specify.

#### **405. Matching of Orders.**

Except as otherwise provided in these Rules, Orders entered into the CCFE Trading Platform will be matched in accordance with an algorithm that gives first priority to Orders at the best price and priority among Orders entered at the same price

based on their time of entry into the CCFE Trading Platform, with the Order first entered receiving first priority. Without limiting the generality of the foregoing, the algorithm to match Orders entered in the CCFE Trading Platform is based upon the following principles:

(a) An Order at a better price will always have priority over Orders at inferior prices. As among Orders at the same price, an Order with time priority will be executed before Orders that have been entered after the Order with time priority. An Order with time priority will not lose such priority if the quantity of the Order is subsequently reduced. However, an Order will be stamped with a new time of receipt by the CCFE Trading Platform if the price of the Order is changed.

(b) After the opening of a Trading Session for a particular Contract, time priority will be assigned to the first Order at a price that betters the best price prevailing when the Order is received. Only one buy Order and one sell Order can have time priority at any given time. Orders with time priority will be matched first regardless of their respective sizes.

(c) An Order will not lose time priority with respect to Orders at the same price if and when an Order at a better price is entered, but it will lose price priority.

(d) Once an Order with time priority has been filled, the algorithm described herein will be applied to the remaining Orders at the same price. Thus, the Order received immediately after the Order that initially had time priority will be assigned time priority and be the next Order to be executed at such price.

Notwithstanding anything in these Rules to the contrary, the Exchange may at any time use a different matching algorithm for a particular Contract by giving notice of such algorithm to all Trading Privilege Holders at least 10 days before such algorithm is implemented.

#### **406. Average Price System**

A Trading Privilege Holder that is a registered futures commission merchant receiving multiple execution prices on an Order or series of Orders for any Contract may use an Average Price System to calculate and confirm to any Customer or Noncustomer an average price for such Contract, provided all of the following requirements are satisfied:

(a) such Customer or Noncustomer must have requested such Trading Privilege Holder to use an Average Price System; and

(b) each individual transaction with respect to such Contract must be submitted to, and cleared by, the Clearing Service Provider at the price at which it was executed.

#### **407. Errors of Trading Privilege Holders**

If a Trading Privilege Holder discovers an error in the handling of an Order for a Customer after the relevant trade is completed, and the Order cannot be executed in the market at a price which is better than or equal to that at which the Order should have been executed, such Trading Privilege Holder will make cash payments or other adjustments as are appropriate to rectify the error. Any violation of this Rule 407 for the purpose of taking advantage of an Order or Orders will constitute conduct which is inconsistent with just and equitable principles of trade.

#### **Reportable Positions and Position Limits**

##### **408. Reportable Positions**

(a) Each Trading Privilege Holder required to file any report, statement, form or other information with the Commission pursuant to Commission Regulations Part 15, 17, 18 or 19 concerning any Contract or Commodity underlying a Contract must simultaneously file a copy of such report, statement, form or other information with the Market Regulation Department. Each Trading Privilege Holder must submit the report, statement, form or other information to the Market Regulation Department in the form and manner designated by the Exchange.

(b) For purposes of filings made or information provided to the Market Regulation Department pursuant to Commission Regulations Part 15, 17 and 18, each Trading Privilege Holder must report such open contract positions at levels as the Exchange establishes from time to time.

##### **409. Position Limits**

(a) Position limits shall be as established by the Exchange from time to time. Such position limits may be specific to a particular Contract or delivery month or may be established on an aggregate basis among Contracts or delivery months. Except as specified in paragraphs (b) and (c) below, no Person shall control, or trade in, any number of Contracts (in combination of Futures and Options on Futures (converted to Futures equivalents)) that exceed any position limits so established by the Exchange. Except as specified in paragraphs (b) and (c) below, no Person shall be permitted to enter into any transaction on the Exchange that would cause such Person to exceed any position limits.

(b) Upon application to the Market Regulation Department in accordance with paragraph (d) below, qualified hedge transactions shall automatically be exempt from the position limits that would otherwise apply. For purposes of this Rule 409, the term “qualified hedge transaction” shall include any transaction or position in a particular Contract that represents a substitute for transactions to be made or positions to be taken at a later time in the Commodity underlying such Contract, provided the transaction entered

into or position taken on the Exchange is economically appropriate to reduce risks arising from:

- (i) any potential change in the value of assets that a Person owns, produces, manufactures, processes or merchandises or anticipates owning, producing, manufacturing, processing or merchandising;
- (ii) any potential change in the amount of liabilities that a Person owes or anticipates incurring;
- (iii) any potential change in the value of services that a Person provides, purchases or anticipates providing or purchasing; or
- (iv) any other good cause shown, as determined by the Exchange in its sole discretion.

(c) On the basis of an application to the Market Regulation Department in accordance with paragraph (d) below, and such supplemental information as the Market Regulation Department may request, the Exchange will determine whether to approve a particular transaction as an arbitrage or spread transaction. In granting any such approval, the Exchange may impose such limitations as it may deem necessary or appropriate in light of the liquidity of the markets involved and the Person's financial condition and business circumstances. Subject to any such limitations, transactions approved in accordance with the immediately preceding sentence shall be exempt from the position limits that would otherwise apply.

(d) Any application for an exemption from position limits for a hedging, arbitrage or spread transaction must be made by the relevant Person to the Market Regulation Department in such form, and within such time limits, as the Exchange may from time to time prescribe. Without limiting the generality of the foregoing, any such application must include the following:

- (i) If a qualified hedge transaction, an arbitrage transaction or a spread transaction, a representation that such transaction or position constitutes a qualified hedge transaction, an arbitrage or a spread transaction, as the case may be, and is not used in an attempt to violate or avoid any Rule of the Exchange;
- (ii) If a qualified hedge transaction, a representation that such transaction or position is necessary or advisable as an integral part of the business of such Person, which representation shall also include a description of such business;
- (iii) If an arbitrage or spread transaction, an undertaking that the prospective arbitrageur or spreader will specify the extent of the Person's current or planned activity in the cash market underlying the Contract for which such exemption is requested;

(iv) If an arbitrage or spread transaction, a representation that the positions involved are moved in an orderly manner and not initiated or liquidated in a manner calculated to cause unreasonable price fluctuations or unwarranted price changes;

(v) A representation that such Person has complied with any applicable federal requirement relating to hedging, arbitrage or spread transactions, as the case may be, and has obtained any necessary approvals from the Commission;

(vi) A schedule of the maximum number of Contracts, long and short, that such Person intends to enter into for hedging, arbitrage or spread transaction purposes, as the case may be;

(vii) An agreement that such Person will comply with any additional limits on its trading as the Exchange may from time to time impose; and

(viii) An agreement by such Person to promptly submit a supplemental statement explaining any change in circumstances that may affect the nature of its positions.

(e) In determining whether any Person has exceeded the position limits established by the Exchange, all positions in accounts for which such Person, by power of attorney or otherwise, directly or indirectly controls trading (whether on a proprietary basis or on behalf of Customers or Noncustomers) shall be included. Position limits shall apply to positions held by two or more Person acting pursuant to an express or implied agreement or understanding in the same manner as if such positions were held by a single Person.

(f) The Exchange shall have the authority to review and rescind any exemption granted by it pursuant to paragraph (d) above at any time in its sole discretion.

(g) For purposes of paragraph (e) above, “control” exists when the Person in question makes investment decisions for the account or accounts in question or materially influences, directly or indirectly, the actions of any Person who makes such investment decisions. In addition, “control” will be presumed to exist in the following circumstances:

(i) Among all parties to a joint account who have authority to act on behalf of such account;

(ii) Among all general partners to a partnership account;

(iii) If a Person (A) holds an ownership interest of 10 percent or more in the Person holding the account or accounts in question, or (B)



shares in 10 percent or more of the profits or losses related to such account or accounts;

(iv) If the Persons holding the account or accounts in question have common directors or management; or

(v) If a Person has the authority to execute transactions in the account or accounts in question.

Any presumption of control on the basis of the foregoing circumstances can be rebutted by proving that such circumstances do not exist or by showing other circumstances which negate the presumption of control. Initial determinations of “control” shall be made by the President or his or her designee.

## **Price Limits**

### **410. Price Limits**

The rules governing a particular Contract will contain any price limits that apply to trading in such Contract.

## **Off-Exchange Transactions**

### **411. Exchange of Future for Physical**

(a) A bona fide Exchange of Future for Physical may be entered into with respect to any Contract in accordance with the applicable trading increments set forth in the rules governing such Contract, at a price mutually agreed upon by the parties to such transaction. Each Exchange of Future for Physical must contain the following three essential elements:

(i) A Futures transaction and a cash transaction that are integrally related;

(ii) An exchange of Futures for the Underlying Commodity where the Commodity contract provides for the transfer of ownership of the Commodity to the cash buyer upon performance of the terms of such contract, with delivery to take place within a reasonable time thereafter, in accordance with prevailing cash market practice; and

(iii) Separate Persons, such that the accounts involved on each side of the Exchange of Future for Physical have different beneficial ownership or are under separate control.

(b) In every Exchange of Future for Physical, one party must be the buyer of the Commodity and the seller of the corresponding Futures and the other party must be the seller of the Commodity and the buyer of the



corresponding Futures. Further, the quantity of the Commodity traded in an Exchange of Future for Physical must be equivalent to the quantity of the Commodity represented by the Futures portion of the transaction.

(c) If the Exchange of Future for Physical is agreed upon during a Trading Session, the price of the Contract that is the subject of the Exchange of Future for Physical must be within the daily price limit for such Contract (established in accordance with Rule 410) during the current Trading Session. If the Exchange of Future for Physical is agreed upon after the Exchange's trading hours for such Contract, the price of the Contract that is the subject of the Exchange of Future for Physical must be within the daily price limit for such Contract (established in accordance with Rule 410) during the next Trading Session.

(d) Exchange of Future for Physical transactions must be reported to the Exchange in a manner prescribed from time to time by the Exchange. Exchange of Future for Physical transactions executed during the Exchange Trading Session must be reported to the Exchange within 30 minutes of agreement by the parties and no later than 15 minutes prior to the Contract's Trading Session close time.

(e) Exchange of Future for Physical transactions executed after the Exchange's trading hours must be reported within 15 minutes after the opening of the next Trading Session.

(f) For Exchange of Future for Physical transactions between two Trading Privilege Holders or Customers or Noncustomers of one or both of the Trading Privilege Holders, the Exchange requires both Trading Privilege Holders to report the transactions.

(g) The Exchange will review the information submitted by the Trading Privilege Holder(s) for the Exchange of Future for Physical transaction and will post the transaction to the CCFE Trading Platform if the transaction details are complete and accurate in accordance with this Rule. The Exchange will immediately publicize information identifying the transaction as an Exchange of Future for Physical trade and identifying the relevant Contract, contract month, quantity and, if applicable, whether the transaction involved a put or a call and the strike price.

(h) Each Clearing Member involved in any Exchange of Future for Physical must maintain records evidencing compliance with the criteria set forth in this Rule 411. Upon request, each such Clearing Member must provide documentation evidencing the underlying cash transaction to the Exchange or its Compliance Service Provider.

(i) Exchange of Future for Physical transactions are not permitted during the last Trading Session for a Contract delivery month.

(j) Exchange of Future for Physical prices will not trigger unexecuted Orders.

#### **412. Block Trading**

(a) Trading Privilege Holders may enter into transactions outside the CCFE Trading Platform, at prices mutually agreed, with respect to Contracts that have been designated by the Exchange for such purpose, provided all of the following conditions are satisfied (such transactions, “Block Trades”):

(i) Each buy or sell order underlying a Block Trade must (A) state explicitly that it is to be, or may be, executed by means of a Block Trade and (B) be for at least such minimum number of Contracts as will from time to time be specified by the Exchange; *provided* that only (x) a commodity trading advisor registered under the CEA, (y) an investment adviser registered as such with the Securities and Exchange Commission that is exempt from regulation under the CEA and Commission Regulations thereunder and (z) any Person authorized to perform functions similar or equivalent to those of a commodity trading advisor in any jurisdiction outside the United States in which the Exchange may be permitted from time to time to operate CCFE Workstations, in each case with total assets under management exceeding US\$25 million, may satisfy this requirement by aggregating orders for different accounts.

(ii) Each party to a Block Trade must qualify as an “eligible contract participant” (as such term is defined in Section 1a(12) of the CEA); *provided* that, if the Block Trade is entered into on behalf of Customers by (A) a commodity trading advisor registered under the Act, (B) an investment adviser registered as such with the Securities and Exchange Commission that is exempt from regulation under the Act and Commission Regulations thereunder or (C) any Person authorized to perform functions similar or equivalent to those of a commodity trading advisor in any jurisdiction outside the United States in which the Exchange may be permitted from time to time to operate CCFE Workstations, in each case with total assets under management exceeding US\$25 million, then only such commodity trading advisor or investment adviser, as the case may be, but not the individual Customers, need to so qualify.

(b) Each party to a Block Trade must comply with all applicable Rules of the Exchange other than those which by their terms only apply to trading through the CCFE Trading Platform.

(c) When negotiating or executing a Block Trade, a Trading Privilege Holder or Authorized Trader must ensure that the price quoted for a Block Trade represents a fair and reasonable price. The price at which a Block

Trade is executed must be fair and reasonable in light of (i) the size of such Block Trade, (ii) the prices and sizes of other transactions in the same Contract at the relevant time, (iii) the prices and sizes of transactions in other relevant markets, including without limitation the underlying cash and futures markets, at the relevant time, and (iv) the circumstances of the parties to such Block Trade.

(d) Block Trades must be reported to the Exchange in a manner prescribed from time to time by the Exchange. Block Trades must be reported to the Exchange within 15 minutes after the completion of negotiations, but may not be submitted any later than 15 minutes prior to the Contract's Trading Session close time.

(e) Block Trades executed after the Exchange's trading hours must be reported within 15 minutes after the opening of the next Trading Session.

(f) For Block Trades between two Trading Privilege Holders or Customers or Noncustomers of one or both of the Trading Privilege Holders, the Exchange requires both Trading Privilege Holders to report the Block Trade.

(g) The Exchange will review the information submitted by the Trading Privilege Holder(s) for the Block Trade and will post the Block Trade to the CCFE Trading Platform if the details are complete and accurate in accordance with this Rule. The Exchange will immediately publicize information identifying the trade as a Block Trade and identifying the relevant Contract, contract month, price or premium, quantity and, if applicable, whether the transaction involved a put or a call and the strike price.

(h) Block Trades are not permitted during the last Trading Session for a Contract delivery month.

(i) Block Trade prices will not trigger unexecuted Orders.

(j) Each Trading Privilege Holder that is party to a Block Trade must record the following details on its order ticket: the Contract (including the Delivery Month) to which such Block Trade relates; the number of Contracts traded; the price of execution or premium; the time of execution; the identity of the counterparty; and, if applicable, details regarding the Customer or Noncustomer for which the Block Trade was executed, the Underlying Commodity, whether the transaction involved a put or a call and the strike price. Upon request by the Exchange, such Trading Privilege Holder must produce satisfactory evidence, including the order ticket referred to in the preceding sentence that the Block Trade meets the requirements set forth in this Rule 412.

(k) Any Block Trade in violation of these requirements will constitute conduct which is inconsistent with just and equitable principles of trade.

#### **413. Transfers of Positions**

(a) A Clearing Member may transfer a position on its books to:

- (i) correct errors in an existing Contract, provided that the original trade documentation confirms the error;
- (ii) transfer an existing Contract from one account to another within the same Trading Privilege Holder where no change in ownership is involved;
- (iii) transfer an existing Contract from one Clearing Member to another Clearing Member where no change in ownership occurs; or
- (iv) transfer an existing Contract through operation of law from death or bankruptcy.

(b) Upon written request, the Exchange may, in its sole discretion, allow the transfer of a position as a result of a merger, asset purchase, consolidation, or similar non-recurring transaction for a Person that is an organization.

(c) Clearing Members must transfer positions pursuant to this Rule 413 at the same prices that appear on the books of the transferring Clearing Member, and the transfer must indicate the date when the original trade was made. Each Clearing Member that is a party to a transfer of positions must make and retain records stating the nature of the transaction and the name of the counter-party Clearing Member. Each Clearing Member that is a party to a transfer of positions must adhere to the Rules of the Clearing Service Provider related to transfers of positions and must provide any information required by the Clearing Service Provider related to such transfer.

#### **Special Circumstances**

##### **414. Error Trades**

Any error trades will be resolved in accordance with the policies and procedures from time to time adopted by the Exchange.

##### **415. Emergencies**

(a) *General.* If the President, or any individual designated by the President and approved by the Board, determines that an Emergency exists, the President or such designee, as the case may be, may take or place into immediate effect a temporary emergency action or rule. Any such rule may remain in effect for up to 30 Business Days, after which time it must be approved by the Board to remain in effect. Any such action or rule may provide for, or may authorize the Exchange, the Board or any committee

thereof to undertake actions necessary or appropriate to respond to the Emergency, including such actions as:

- (i) limiting trading to liquidation only, in whole or in part;
- (ii) changing the Delivery Month or extending or shortening the term of any Contract;
- (iii) changing delivery points or the means of delivery provided in the rules governing any Contract;
- (iv) imposing or modifying position or price limits with respect to any Contract;
- (v) ordering the liquidation of Contracts, the fixing of a settlement price or any reduction in positions;
- (vi) ordering the transfer of Contracts, and the money, securities, and property securing such Contracts, held on behalf of Customers or Noncustomers by any Trading Privilege Holder to one or more other Trading Privilege Holders willing to assume such Contracts or obligated to do so;
- (vii) extending, limiting or changing hours of trading;
- (viii) suspending or curtailing trading in any or all Contracts or modifying circuit breakers;
- (ix) requiring Clearing Members, Trading Privilege Holders, Customers or Noncustomers to meet special margin requirements; or
- (x) modifying or suspending any provision of the Rules of the Exchange or the Rules of the Clearing Service Provider.

Any such action placed into effect in accordance with the preceding sentence may be reviewed by the Board at any time and may be revoked, suspended or modified by the Board, and any such rule placed into effect in accordance with the preceding sentence will be reviewed by the Board as soon as practicable under the circumstances, and may be revoked, suspended or modified by the Board.

(b) *Physical Emergency.* If, in the judgment of the President, or any individual designated by the President and approved by the Board, the physical functions of the Exchange are, or are threatened to be, severely and adversely affected by a physical emergency (such as a fire or other casualty, bomb threats, terrorist acts, substantial inclement weather, power failures, communications breakdowns, computer system breakdowns, screen based trading system breakdowns or transportation breakdowns), such Person may

take any action that he or she may deem necessary or appropriate to respond to such physical emergency, including closing the Exchange, delaying the opening of trading in one or more Contracts or suspending trading in or extending trading hours for one or more Contracts. In the event that any action has been taken pursuant to the immediately preceding sentence, any Person who is authorized to take such action may order the removal of any restriction previously imposed pursuant to such sentence, upon a determination by such Person that the physical emergency that gave rise to such restriction has sufficiently abated to permit the physical functions of the Exchange to continue in an orderly manner; provided that any order pursuant to this sentence will be subject to review, modification or reversal by the Board.

(c) In the event that the trading is suspended in any or all Contracts, the Orders for the suspended Contracts that are currently resting in the CCFE Trading Platform will automatically be cancelled and would have to be resubmitted by the Trading Privilege Holders upon resumption of trading in the affected Contracts.

(d) *Notification and Recording.* The Exchange will notify the Commission of any action taken, or proposed to be taken, pursuant to this Rule 415 in accordance with Commission Regulation § 40.6. The decision-making process with respect to, and the reasons for, any such action will be recorded in writing.

(e) *Conflicts of Interest.* The conflict of interest provisions set forth in Rule 210, including the documentation requirements, will apply, with any such modifications or adaptations as may be necessary or appropriate under the circumstances, to the taking of any action under this Rule 415 by the President, or his or her designee.

## **Limitation of Liability**

### **416. Limitation of Liability; Legal Proceedings**

EXCEPT AS OTHERWISE PROVIDED, AND EXCEPT IN INSTANCES WHERE THERE HAS BEEN A FINDING OF FRAUD OR WANTON OR WILLFUL MISCONDUCT, IN WHICH CASE THE PARTY FOUND TO HAVE ENGAGED IN SUCH CONDUCT CANNOT AVAIL ITSELF OF THE PROTECTIONS IN THIS RULE 416, NEITHER THE EXCHANGE (INCLUDING ITS AFFILIATES) NOR ANY OF ITS DIRECTORS, COMMITTEE MEMBERS, OFFICERS, EMPLOYEES, AGENTS OR CONTRACTORS WILL BE LIABLE TO ANY OTHER PERSON, INCLUDING ANY TRADING PRIVILEGE HOLDER, AUTHORIZED TRADER, CUSTOMER OR NONCUSTOMER, FOR ANY LOSSES, DAMAGES, COSTS, EXPENSES OR CLAIMS (INCLUDING LOSS OF PROFITS, LOSS OF USE, DIRECT, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES) (COLLECTIVELY, "LOSSES"), ARISING FROM (A) ANY FAILURE

OR MALFUNCTION OF, INCLUDING ANY INABILITY TO ENTER OR CANCEL ORDERS INTO, THE CCFE TRADING PLATFORM OR ANY EXCHANGE SERVICES OR FACILITIES USED TO SUPPORT THE CCFE TRADING PLATFORM, (B) ANY FAULT IN DELIVERY, DELAY, OMISSION, SUSPENSION, INACCURACY OR TERMINATION, OR ANY OTHER CAUSE, IN CONNECTION WITH THE FURNISHING, PERFORMANCE, MAINTENANCE, USE OF OR INABILITY TO USE ALL OR ANY PART OF THE CCFE TRADING PLATFORM OR ANY EXCHANGE SERVICES OR FACILITIES USED TO SUPPORT THE CCFE TRADING PLATFORM OR (C) ANY ACTION TAKEN OR OMITTED TO BE TAKEN IN RESPECT TO THE BUSINESS OF THE EXCHANGE, EXCEPT, IN EACH CASE, TO THE EXTENT THAT SUCH LOSSES ARE ATTRIBUTABLE TO THE WILLFUL MISCONDUCT, GROSS NEGLIGENCE OR CRIMINAL ACTS OF THE EXCHANGE (INCLUDING ITS AFFILIATES) OR ITS DIRECTORS, COMMITTEE MEMBERS, OFFICERS, EMPLOYEES, AGENTS OR CONTRACTORS ACTING WITHIN THE SCOPE OF THEIR RESPECTIVE AUTHORITY. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, AND SUBJECT TO THE SAME EXCEPTION, THE EXCHANGE WILL HAVE NO LIABILITY TO ANY PERSON FOR ANY LOSSES THAT RESULT FROM ANY ERROR, OMISSION OR DELAY IN CALCULATING OR DISSEMINATING ANY CURRENT OR CLOSING VALUE OR ANY REPORTS OF TRANSACTIONS IN OR QUOTATIONS FOR CONTRACTS, INCLUDING UNDERLYING SECURITIES. THE FOREGOING WILL APPLY REGARDLESS OF WHETHER A CLAIM ARISES IN CONTRACT, TORT, NEGLIGENCE, STRICT LIABILITY OR OTHERWISE.

THERE ARE NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS PROVIDED BY THE EXCHANGE (INCLUDING ITS AFFILIATES) RELATING TO THE CCFE TRADING PLATFORM OR ANY EXCHANGE SERVICES OR FACILITIES USED TO SUPPORT THE CCFE TRADING PLATFORM, INCLUDING WARRANTIES OF MERCHANTABILITY AND WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE OR USE. THE SERVICES OF THE EXCHANGE ARE BEING PROVIDED ON AN "AS IS" BASIS AT EACH TRADING PRIVILEGE HOLDER'S SOLE RISK. NEITHER THE EXCHANGE (INCLUDING ITS AFFILIATES) NOR ITS DIRECTORS, COMMITTEE MEMBERS, OFFICERS, EMPLOYEES, AGENTS OR CONTRACTORS MAKE ANY WARRANTY WITH RESPECT TO, AND NO SUCH PARTY WILL HAVE ANY LIABILITY TO ANY TRADING PRIVILEGE HOLDER FOR, THE ACCURACY, TIMELINESS, COMPLETENESS, RELIABILITY, PERFORMANCE OR CONTINUED AVAILABILITY OF THE CCFE TRADING PLATFORM OR THE EXCHANGE, FOR DELAYS, OMISSIONS OR INTERRUPTIONS THEREIN OR THE CREDITWORTHINESS OF ANY OTHER TRADING PRIVILEGE HOLDER. THE EXCHANGE (INCLUDING ITS AFFILIATES) WILL HAVE NO DUTY OR OBLIGATION TO VERIFY ANY INFORMATION DISPLAYED ON THE CCFE TRADING PLATFORM OR OTHERWISE. EACH TRADING PRIVILEGE HOLDER ACKNOWLEDGES AND AGREES THAT THE EXCHANGE (INCLUDING ITS AFFILIATES) DOES NOT AND WILL NOT SERVE AS THE PRIMARY BASIS FOR ANY DECISIONS MADE BY ANY TRADING PRIVILEGE HOLDER AND THAT THE EXCHANGE



(INCLUDING ITS AFFILIATES) IS NOT AN ADVISOR OR FIDUCIARY OF ANY TRADING PRIVILEGE HOLDER.

ANY DISPUTE ARISING OUT OF THE USE OF THE CCFE TRADING PLATFORM OR EXCHANGE SERVICES OR FACILITIES USED TO SUPPORT THE CCFE TRADING PLATFORM IN WHICH THE EXCHANGE (INCLUDING ITS AFFILIATES) OR ANY OF ITS DIRECTORS, COMMITTEE MEMBERS, OFFICERS, EMPLOYEES, AGENTS OR CONTRACTORS IS A PARTY WILL BE SUBJECT TO THE LAWS OF THE STATE OF ILLINOIS. ANY ACTIONS, SUITS OR PROCEEDINGS AGAINST ANY OF THE ABOVE MUST BE BROUGHT, WITHIN TWO YEARS FROM THE TIME THEY FIRST ARISE, IN A FEDERAL COURT LOCATED IN COOK COUNTY, ILLINOIS, OR IF THE REQUIREMENTS FOR FEDERAL SUBJECT MATTER JURISDICTION ARE NOT MET, IN A STATE COURT LOCATED IN COOK COUNTY, ILLINOIS. THIS PROVISION WILL IN NO WAY CREATE A CAUSE OF ACTION AND WILL NOT AUTHORIZE AN ACTION THAT WOULD OTHERWISE BE PROHIBITED BY THE RULES OF THE EXCHANGE.

NO TRADING PRIVILEGE HOLDER OR PERSON ASSOCIATED WITH A TRADING PRIVILEGE HOLDER WILL INSTITUTE A LAWSUIT OR OTHER LEGAL PROCEEDING AGAINST THE EXCHANGE OR ANY DIRECTOR, COMMITTEE MEMBER, OFFICER, EMPLOYEE, AGENT OR CONTRACTOR OF THE EXCHANGE (INCLUDING ITS AFFILIATES), FOR ACTIONS TAKEN OR OMITTED TO BE TAKEN IN CONNECTION WITH THE OFFICIAL BUSINESS OF THE EXCHANGE (INCLUDING ITS AFFILIATES). THIS PROVISION WILL NOT APPLY TO APPEALS OF DISCIPLINARY ACTIONS OR OTHER ACTIONS BY THE EXCHANGE AS PROVIDED FOR IN THESE RULES.

ANY TRADING PRIVILEGE HOLDER OR PERSON ASSOCIATED WITH A TRADING PRIVILEGE HOLDER WHO FAILS TO PREVAIL IN A LAWSUIT OR OTHER LEGAL PROCEEDING INSTITUTED BY SUCH PERSON AGAINST THE EXCHANGE (INCLUDING ITS AFFILIATES) OR ANY OF ITS DIRECTORS, COMMITTEE MEMBERS, OFFICERS, EMPLOYEES, AGENTS OR CONTRACTORS, AND RELATED TO THE BUSINESS OF THE EXCHANGE, WILL PAY TO THE EXCHANGE ALL REASONABLE EXPENSES, INCLUDING ATTORNEYS' FEES, INCURRED BY THE EXCHANGE IN THE DEFENSE OF SUCH PROCEEDING TO THE EXTENT THAT SUCH EXPENSES EXCEED FIFTY THOUSAND DOLLARS (\$50,000.00). THIS PROVISION WILL NOT APPLY TO DISCIPLINARY ACTIONS BY THE EXCHANGE, ADMINISTRATIVE APPEALS OF EXCHANGE ACTIONS OR IN ANY SPECIFIC INSTANCE WHERE THE BOARD HAS GRANTED A WAIVER OF THIS PROVISION.

NOTWITHSTANDING ANY OF THE FOREGOING PROVISIONS, THIS RULE 416 WILL IN NO WAY LIMIT THE LIABILITY OF ANY PERSON ARISING FROM ANY VIOLATION BY SUCH PERSON OF THE CEA OR THE COMMISSION REGULATIONS THEREUNDER.



## **CHAPTER 5**

### **OBLIGATIONS OF TRADING PRIVILEGE HOLDERS**

#### **Recordkeeping**

##### **501. Books and Records**

Each Trading Privilege Holder, Authorized Trader and Clearing Member must prepare and keep current all books, ledgers and other similar records required to be kept by it pursuant to Applicable Law and the Rules of the Exchange, and must prepare and keep current such other books and records and adopt such forms as the Exchange may from time to time prescribe. Such books and records must be made available to the Exchange, the Commission and the U.S. Department of Justice and their authorized representatives upon request.

##### **502. Inspection and Delivery**

Each Trading Privilege Holder, Authorized Trader and Clearing Member must keep all books and records required to be kept by it pursuant to the Rules of the Exchange for a period of five years from the date on which they are first prepared, unless otherwise provided in the Rules of the Exchange or required by Applicable Law. Such books and records must be readily accessible during the first two years of such five-year period. During such five-year period, all such books and records must be made available for inspection by, and copies thereof must be delivered to, the Exchange, the Commission and the U.S. Department of Justice and their authorized representatives upon request.

#### **Financial Requirements**

##### **503. Minimum Financial and Related Reporting Requirements for Registrants**

Each Trading Privilege Holder and Clearing Member that is registered with any self-regulatory association must comply with the provisions of Applicable Law relating to minimum financial and related reporting and recordkeeping requirements. A copy of any notice or written report that a Trading Privilege Holder or Clearing Member is required to file with the Commission pursuant to Commission Regulation § 1.12 must also be filed with the Exchange's Compliance Service Provider. A Trading Privilege Holder or Clearing Member that violates any of the aforementioned Commission Regulations will be deemed to have violated this Rule 503.

##### **504. Minimum Financial and Related Reporting Requirements for Non-Registrants**

(a) A Trading Privilege Holder not registered with a self-regulatory association must:

(i) maintain a net worth (excluding personal assets) of not less than \$250,000; and

(ii) immediately notify the Compliance Service Provider if its net worth (excluding personal assets) declines below \$300,000, and provide the Compliance Service Provider with monthly financial statements by the tenth calendar day of each month thereafter until the Trading Privilege Holder's net worth exceeds \$300,000 for two consecutive months.

(b) For purposes of this Rule 504, net worth means the Trading Privilege Holder's total assets (excluding personal assets) less total liabilities as computed by generally accepted accounting principles applied on a consistent basis.

(c) A Trading Privilege Holder that is an organization but not registered with a self-regulatory association must submit to the Compliance Service Provider annual audited financial statements certified by a certified independent public accountant (or by a Person having similar qualifications if the Trading Privilege Holder's books of account are kept outside the United States) within ninety calendar days of the Trading Privilege Holder's fiscal year-end.

#### **505. Authority of the President to Impose Restrictions**

Whenever a Trading Privilege Holder or Clearing Member is subject to the early warning requirements set forth in Commission Regulation § 1.12, the President, or his or her designee, may impose such conditions or restrictions on the business and operations of such Trading Privilege Holder or Clearing Member, as the case may be, as the President, or his or her designee, may deem necessary or appropriate for the protection of Customers, other Trading Privilege Holders, other Clearing Members or the Exchange.

#### **506. Treatment of Customer Funds and Securities**

Any Trading Privilege Holder or Clearing Member that is required to be registered with any self-regulatory association must comply with the provisions of Applicable Law relating to the treatment of Customer funds and the maintenance of books and records with respect thereto. A Trading Privilege Holder or Clearing Member that violates any of the aforementioned Commission Regulations will be deemed to have violated this Rule 506.

#### **507. Additional Minimum Financial Requirements**

(a) In addition to the minimum financial requirements that a Trading Privilege Holder or Clearing Member that is registered with the NFA as a futures commission merchant or introducing broker must satisfy, each Trading Privilege Holder and Clearing Member will be required to satisfy such minimum financial requirements, and comply with such obligations related thereto, as may be established from time to time by the Exchange.

(b) Each Trading Privilege Holder and Clearing Member must notify the President, or his or her designee, immediately upon becoming aware that it fails to satisfy the minimum financial requirements applicable to it.

(c) Unless and until a Trading Privilege Holder or Clearing Member, as the case may be, is able to demonstrate to the Exchange that it is in compliance with the minimum financial requirements applicable to it, such Trading Privilege Holder or Clearing Member may not engage in any transactions subject to the Rules of the Exchange, except for the purpose of closing open positions.

## **Customer Protection**

### **508. NFA Registration**

(a) No Trading Privilege Holder or Clearing Member of the Exchange (including any Person that is affiliated with such Trading Privilege Holder or Clearing Member), may solicit or accept from any other Person an Order for the purchase or sale of a Contract, unless such Trading Privilege Holder or Clearing Member, or its respective affiliated Person, as the case may be, is registered in any required capacity in accordance with Applicable Law.

(b) Any Trading Privilege Holder or Clearing Member that is required to be registered as a futures commission merchant or as an introducing broker must comply with the provisions of Commission Regulations § 155.3, § 155.4 or § 41.42(a), as applicable.

### **509. Confirmations**

Each Trading Privilege Holder and Clearing Member that enters into a trade on behalf of a Customer must promptly furnish, or cause to be furnished, to such Customer, no later than the Business Day immediately following the day on which such trade is entered into, a written confirmation of such trade in such form as the Exchange may from time to time prescribe, indicating the Contract bought or sold, the price, quantity, time of execution and such other information as the Exchange may require.

### **510. Customer Statements**

Each Trading Privilege Holder and Clearing Member that enters into trades on behalf of Customers must furnish, or cause to be furnished, as soon as practicable after the end of each month, a monthly statement of account to each of its Customers. Each such statement must indicate, at a minimum, the Customer's initial balance, closing balance, commissions and fees incurred, income received and trades made.

### **511. Risk Disclosure Statement**

Prior to opening an account for any Customer, a Trading Privilege Holder or Clearing Member, as the case may be, must provide such Customer with a written disclosure statement in the form approved by the Exchange for purposes of Commission Regulation § 1.55 and any other disclosure statement from time to time required by the Exchange.

### **512. Fraudulent or Misleading Communications**

A Trading Privilege Holder or Clearing Member may not make any fraudulent or misleading communications relating to the purchase or sale of any Contract.

### **513. Responsibility for Customer Orders**

Trading Privilege Holders and Clearing Members handling Orders for Customers must exercise due diligence in the handling and execution of such Orders. Failure to act with due diligence will constitute negligence.

Trading Privilege Holders and Clearing Members are prohibited from directly or indirectly guaranteeing the execution of an Order or any of its terms such as the quantity or price; *provided* that this sentence will not be construed to prevent a Trading Privilege Holder or Clearing Member from assuming or sharing in any losses resulting from an error or the mishandling of an Order.

A Trading Privilege Holder or Clearing Member shall not adjust the price at which an Order was executed, nor will it be held responsible for executing or failing to execute an Order unless such Trading Privilege Holder or Clearing Member, as the case may be, was negligent or is settling a *bona fide* dispute regarding negligence, or as otherwise permitted by Rule 407.

## **System Security**

### **514. System Security**

(a) Each Trading Privilege Holder must at all times have at least one employee or agent (the “Responsible Trader”) designated as its administrator with respect to the use of the CCFE Trading Platform by such Trading Privilege Holder (including its Authorized Traders). The Exchange may prescribe such qualification standards for Responsible Traders as it may from time to time determine necessary or advisable. Among other things, each Responsible Trader must (i) have full control over access to the CCFE Trading Platform by the Trading Privilege Holder (including its Authorized Traders) represented by such Responsible Trader and (ii) be able to access, and, if required, modify and withdraw, any and all Orders placed, or purported to be placed, by such Trading Privilege Holder (including its Authorized Traders). The Responsible Trader or Responsible Traders of any Trading Privilege Holder will also be solely responsible for any and all

communications between the Exchange and such Trading Privilege Holder, and any and all notices or other communications sent to such Responsible Trader or Responsible Traders by the Exchange will be binding on such Trading Privilege Holder. Each Trading Privilege Holder must notify the Exchange promptly of any change regarding any of its Responsible Traders.

(b) Each Trading Privilege Holder will be solely responsible for controlling and monitoring the use of all user identification codes and passwords to access the CCFE Trading Platform (collectively, “User Information”) issued to its Responsible Trader or Responsible Traders by the Exchange, may provide the User Information only to its Authorized Traders, and must notify the Exchange promptly upon becoming aware of any unauthorized disclosure or use of the User Information or access to the Exchange or of any other reason for deactivating User Information. Each Trading Privilege Holder will be bound by any actions taken through the use of its User Information (other than any such actions resulting from the fault or negligence of the Exchange), including the execution of transactions, whether or not such actions were authorized by such Trading Privilege Holder or any of its directors, officers or employees.

(c) Each Trading Privilege Holder will be solely responsible for ensuring that CCFE Trading Platform access is not granted to any Person located outside the United States, except as otherwise expressly permitted by the Exchange. To the extent necessary to ensure the operational integrity of the CCFE Trading Platform, the Exchange may at any time restrict or limit the access of Persons to specified locations, and each Trading Privilege Holder must ensure prompt compliance by itself and its Authorized Traders with any such limitation.

## **Customer Margin**

### **515. Customer Margin**

(a) A Trading Privilege Holder shall not effect a transaction or carry an account for a Customer without obtaining margin at the times, in the amounts, and in the forms required by the Exchange.

(b) The Exchange will publish the minimum initial and maintenance margin requirements for each Contract or combination of Contracts.

(c) Any changes in Contract margin requirements will apply to both new and existing Contracts in a Customer’s account.

(d) Unless otherwise stated in these Rules, a Trading Privilege Holder must use a risk based portfolio margining system acceptable to the Exchange to calculate margin requirements for Customer accounts.

(e) If a Trading Privilege Holder does not obtain and maintain the required minimum margin deposits for a Customer's account pursuant to this Rule, the Exchange may require the Trading Privilege Holder to immediately liquidate Contracts in the Customer account to eliminate the margin requirement shortfall.

(f) The Exchange or a Trading Privilege Holder may impose margin requirements on a Customer that are in excess of the existing margin requirements imposed by this Rule.

(g) Terms used in this Rule, but not otherwise defined by these Rules, carry the meaning set forth in the Joint Audit Committee's Margins Handbook. In addition, a Trading Privilege Holder must adhere to the procedures specified in the Joint Audit Committee's Margins Handbook for the computation, issuance, collection, and offsets for margin calls and corresponding capital charges for the Trading Privilege Holder unless the Manual is inconsistent with the Exchange's Rules, in which case the Exchange's Rules will prevail.

(h) A Trading Privilege Holder must collect at least the minimum margin requirements established by the Exchange for its Contracts in a Customer account.

(i) The full premium value for a long call or put on an Option on a Future Contract must be collected from the Customer.

(j) When additional margin deposits are required pursuant to Exchange Rules, a Trading Privilege Holder must call for the additional margin in a prompt manner not to be any later than one business day after the event giving rise to the call. The margin call must be sufficient to ensure the Customer's account will at least meet the minimum initial margin requirement (i) when the margin equity in the account initially falls below the minimum maintenance requirements and (ii) subsequently when the margin equity plus existing margin calls on the account are less than the minimum maintenance margin requirements.

(k) The Trading Privilege Holder must collect the full amount of the margin call from a Customer in a prompt manner and within a reasonable period.

(l) If a margin call is outstanding for an unreasonable time, the Trading Privilege Holder may only accept Orders from the Customer that will reduce the Customer's margin requirements.

(m) If a Customer fails to deposit the required margin deposit within a reasonable time, the Trading Privilege Holder may, but is not required to, liquidate all or a portion of the Customer's Contracts to restore the Customer's account to a properly margined level. However, the inability of the Trading

Privilege Holder to liquidate all or a portion of a Customer's Contracts does not affect any liability of the Customer to the Trading Privilege Holder.

(n) A Trading Privilege Holder must make and retain a written record of margin calls to Customers that reflects date, amount and other relevant information for all margin calls made (whether made by telephone, in writing or by other means) as well as margin calls reduced, satisfied or relieved.

#### **516. Release of Customer Margin**

A Trading Privilege Holder may only release free funds in connection with a Customer's account if after the release the Customer's account has at equity at least equal to the initial margin requirement level.

#### **517. Omnibus Accounts**

A Trading Privilege Holder must calculate margin requirements for an omnibus account (whether domestic or foreign) on a gross Contract basis. However, a Trading Privilege Holder may impose maintenance margin rates for Contracts in the omnibus account. A Trading Privilege Holder must obtain written representation of spread or hedge positions from an omnibus account in order to afford any Contracts in the account spread or hedge margin treatment.

#### **518. Aggregation**

(a) When determining margin requirements, margin calls and release of margin deposits, a Trading Privilege Holder may aggregate identically-owned accounts within the same regulatory account classification of Customer segregated, Customer secured and non-segregated.

(b) In satisfaction of a margin deficiency, a Trading Privilege Holder may not apply available free funds from an identically-owned account that has a different regulatory classification. The Trading Privilege Holder must transfer the free-funds from the identically-owned account to the account having the margin deficiency.

(c) Except for omnibus accounts, a Trading Privilege Holder may calculate margin requirements on a net basis for concurrent long and short Contracts in identically-owned accounts within the same regulatory account classification.

#### **519. Extension of Credit**

A Trading Privilege Holder shall not extend or maintain credit to or for a Customer to evade or circumvent any requirements of these Rules. A member may extend or maintain (or arrange for the extension or maintenance of) credit or a loan to or for a Customer to meet the margin requirements of these Rules provided the credit or loan is secured as defined by Commission Regulation § 1.17(c)(3) and the proceeds are

treated by the Trading Privilege Holder in accordance with Commission Regulation § 1.30.

**520. Allowable Margin Deposits**

(a) A Trading Privilege Holder may only accept the following as margin deposits:

- (i) U.S. dollars and foreign currencies,
- (ii) U.S. government treasury and agency securities,
- (iii) Municipal securities,
- (iv) Readily marketable securities (which means securities traded on a “ready market” as defined by SEC Rule 15c3-1(c)(11)),
- (v) Money market mutual funds that meet the requirements of Commission Regulation § 1.25 (other than securities issued by the Customer or an affiliate of the Customer), and / or
- (vi) Irrevocable letters of credit in a form, and issued by banks or trust companies, approved by the Clearing Service Provider (other than letters of credit issued by the Customer or an affiliate of the Customer).

(b) The assets, securities and instruments accepted by a Trading Privilege Holder to meet a Customer’s margin requirements must be and remain unencumbered by third party claims.

(c) Acceptance of foreign currencies will require a Trading Privilege Holder to obtain a subordination agreement and value the foreign currencies as required by Commission Interpretation #12 – Deposit of Customer Funds in Foreign Depositories.

(d) Securities must be valued at no greater than their current market value less any haircuts specified by SEC Rule 15c3-1.

(e) No guarantee against a margin deficiency for a Customer account from any party may be considered.



## **CHAPTER 6 BUSINESS CONDUCT**

### **601. Fraudulent Acts**

Neither a Trading Privilege Holder nor any of its Authorized Traders may engage in any fraudulent act or engage in any scheme to cheat, defraud or deceive, in connection with or related to any trade on or other activity related to the Exchange or the Clearing Service Provider.

### **602. Fictitious Transactions**

Neither a Trading Privilege Holder nor any of its Authorized Traders may create fictitious transactions or execute any Order for a fictitious transaction with knowledge of its nature.

### **603. Market Manipulation or Demoralization**

Any manipulation of the market in any Contract is prohibited. Orders entered into the CCFE Trading Platform for the purpose of upsetting the equilibrium of the market in any Contract or creating a condition in which prices do not or will not reflect fair market values are prohibited and any Trading Privilege Holder (including its Authorized Traders) who makes or assists in entering any such Order with knowledge of the purpose thereof or who, with such knowledge, in any way assists in carrying out any plan or scheme for the entering of any such Order, will be deemed to have engaged in an act detrimental to the Exchange.

### **604. Adherence to Law**

No Trading Privilege Holder (including its Authorized Traders) may engage in conduct in violation of Applicable Law, the Rules of the Exchange or the Rules of the Clearing Service Provider (insofar as the Rules of the Clearing Service Provider relate to the reporting or clearance of any transaction in Contracts).

### **605. Sales Practice Rules**

Without limiting the generality of Rule 604, each Trading Privilege Holder (including its Authorized Traders) must comply with any and all sales practice rules (including those relating to bunched orders, opening and approval of accounts, suitability, use of discretion, supervision of accounts, risk disclosure document delivery, communications, monthly statements and confirmations, registration, qualification and continuing education, customer complaints, prohibition against guarantees and profit sharing and money laundering) from time to time promulgated by the NFA, which rules are hereby incorporated by reference into this Rule 605.

#### **606. Prohibition of Misstatements**

It will be an offense to make any misstatement of a material fact to the Exchange, including the Board, any committee thereof or any director, officer or employee of the Exchange.

#### **607. Use of Trading Privileges**

Neither a Trading Privilege Holder nor any of its Authorized Traders may use its Trading Privileges or access the Exchange in any way which could be expected to bring disrepute upon such Trading Privilege Holder or the Exchange.

#### **608. Acts Detrimental to the Exchange; Acts Inconsistent with Just and Equitable Principles of Trade**

It will be an offense to violate any Rule of the Exchange or Rule of the Clearing Service Provider regulating the conduct or business of a Trading Privilege Holder (including its respective Authorized Traders) or any agreement made with the Exchange, or to engage in any act detrimental to the Exchange or in conduct inconsistent with just and equitable principles of trade.

#### **609. Supervision**

Each Trading Privilege Holder will be responsible for establishing, maintaining and administering reasonable supervisory procedures to ensure that its Authorized Traders comply with Applicable Law, the Rules of the Exchange and the Rules of the Clearing Service Provider, and may be held accountable for the actions of such Authorized Traders. In addition, each Responsible Trader will be responsible for supervising the Authorized Traders of the Trading Privilege Holder represented by it, and may be held accountable for the actions of such Authorized Traders.

#### **610. Priority of Customers' Orders**

(a) No Trading Privilege Holder (including its Authorized Traders) may knowingly buy a Contract for a personal or proprietary account of such Trading Privilege Holder or Authorized Traders or for an account in which such Trading Privilege Holder or Authorized Traders has a proprietary interest, when such Trading Privilege Holder or Authorized Traders has in hand Orders to buy the same Contract for any other Person at the same price or at the market price. No Trading Privilege Holder (including its Authorized Traders) may knowingly sell a Contract for a personal or proprietary account (including a Noncustomer account) of such Trading Privilege Holder or Authorized Traders (including a Noncustomer account of such Trading Privilege Holder or Authorized Trader) or for an account in which such Trading Privilege Holder or Authorized Traders has a proprietary interest (including a Noncustomer account), when such Trading Privilege Holder or Authorized Traders has in hand Orders to sell the same Contract for any other Person at the same price or at the market price.

(b) No Trading Privilege Holder (including its Authorized Traders) may knowingly execute a discretionary Order for any Contract, including an Order allowing such Trading Privilege Holder (including its Related Parties) discretion as to time and price, for an immediate family member or for a personal or proprietary account of any other Trading Privilege Holder or Authorized Traders (including Noncustomer accounts), when such Trading Privilege Holder or Authorized Traders has in hand any Customer market Order for the same Contract open as to time and price.

(c) An Authorized Trader entering Orders into the CCFE Trading Platform must enter all Customer Orders that the CCFE Trading Platform is capable of accepting before entering an Order for a personal or proprietary account of such Authorized Trader or the related Trading Privilege Holder (including a Noncustomer account), an account in which such Authorized Trader or Trading Privilege Holder has a proprietary interest (including a Noncustomer account) or an Order for a discretionary account, including an Order allowing such Authorized Trader or Trading Privilege Holder discretion as to time and price, for an immediate family member or for a personal or proprietary account of any other Trading Privilege Holder or Authorized Traders (including a Noncustomer account).

(d) For purposes of this Rule 610, no Trading Privilege Holder that consists of more than one individual, will be deemed to knowingly buy or sell a Contract or execute a discretionary Order if (i) such Trading Privilege Holder has in place appropriate “firewall” or separation of function procedures and (ii) the individual buying or selling the Contract or executing the discretionary Order in question has no direct knowledge of the Order to buy or sell the same Contract for any other Person at the same price or at the market price or of the Customer Order for the same Contract, as the case may be. Nothing in this Rule 610 limits the ability of an “eligible account manager” to bunch Orders in accordance with Commission Regulation § 1.35(a-1)(5).

## **611. Trading Against Customers’ Orders**

No Trading Privilege Holder (including its Authorized Traders) may enter into a transaction on behalf of a Customer in which such Trading Privilege Holder or Authorized Traders or any Person trading for an account in which such Trading Privilege Holder or Authorized Trader has a financial interest (including a Noncustomer account), intentionally assumes the opposite side of the transaction. The foregoing restriction does not prohibit pre-execution discussions conducted in accordance with procedures established by the Exchange from time to time, and does not apply to any Exchange of Future for Physical, any Block Trade or any transaction meeting all of the following criteria (or such other criteria as may be established by the Exchange from time to time):

(a) the Customer has previously consented in writing to such transactions, which consent must have been given or renewed within 12

months of the transaction at issue and may not have been revoked prior thereto;

(b) the Trading Privilege Holder or Authorized Traders has waited for a reasonable period of time, as determined by the Exchange, after first entering the Order received from the Customer into the CCFE Trading Platform before taking the opposite side of the transaction;

(c) the Trading Privilege Holder maintains a record that clearly identifies, by appropriate descriptive words, all such transactions, including the time of execution, Commodity, date, price, quantity and delivery month; and

(d) the Trading Privilege Holder provides a copy of the record referred to in clause (c) above to the Exchange.

#### **612. Withholding Orders**

No Trading Privilege Holder (including its Authorized Traders) may withhold or withdraw from the market any Order or any part of an Order placed by any Customer, unless expressly instructed or authorized to do so by such Customer.

#### **613. Disclosing Orders**

Except in accordance with any policies or procedures for pre-execution discussions from time to time adopted by the Exchange, no Trading Privilege Holder (including its Authorized Traders) may disclose to any Person any Order placed by any other Person, except to the Exchange, the Commission or the United States Department of Justice.

#### **614. Pre-Arranged Trades**

No Trading Privilege Holder (including its Authorized Traders) may enter any Order into the CCFE Trading Platform which has been pre-arranged, except as expressly permitted by Rules 411 and 412 or in accordance with any policies or procedures for pre-execution discussions from time to time adopted by the Exchange.

#### **615. Simultaneous Buying and Selling Orders**

(a) No Trading Privilege Holder (including its Authorized Traders) may accept simultaneous buy and sell Orders from the same Customer for the same delivery month of a particular Future.

(b) A Trading Privilege Holder (including its Authorized Traders) holding Orders to buy and sell at the same time from different Customers for the same month of a particular Future may enter both Orders into the CCFE Trading Platform.

## **CHAPTER 7**

### **DISCIPLINE AND ENFORCEMENT**

#### **701. General**

(a) All Trading Privilege Holders, Authorized Traders and other Persons within the Exchange's jurisdiction are subject to this Chapter 7 if they are alleged to have violated, to have aided and abetted a violation, to be violating, or to be about to violate, any Rule of the Exchange or any provision of Applicable Law for which the Exchange possesses disciplinary jurisdiction.

(b) Except when the Board reserves responsibility for an inquiry or investigation to itself or delegates its responsibility to a committee of the Board or a Compliance Service Provider, the Exchange will conduct inquiries, investigations, disciplinary proceedings and appeals from disciplinary proceedings, summary impositions of fines, summary suspensions or other summary actions in accordance with this Chapter 7.

(c) The Exchange may delegate any or all of its powers or responsibilities under this Chapter 7 to the Market Regulation Department, which may take any actions on behalf of the Exchange that the Exchange is permitted to take hereunder. In the event of any such delegation, references to the Exchange in this Chapter 7 shall be construed to be references to the Market Regulation Department.

(d) No member of the staff of the Exchange will interfere with or attempt to influence the process or resolution of any inquiry, investigation, disciplinary proceeding, appeal from a disciplinary proceeding, summary imposition of fines, summary suspension or other summary action. No member of the Board will interfere with or attempt to influence the process or resolution of any inquiry, investigation, disciplinary proceeding, appeal from a disciplinary proceeding, summary imposition of fines, summary suspension or other summary action with respect to which the Board member is not a member of the relevant Appeals Panel or Summary Review Panel.

(e) Any Trading Privilege Holder, Authorized Trader or other Person within the Exchange's jurisdiction may be represented by counsel during any inquiry, investigation, disciplinary proceeding, appeal from a disciplinary proceeding, summary imposition of fines, summary suspension or other summary actions pursuant to this Chapter 7.

(f) Pursuant to this Chapter 7, the Exchange may hold:

(i) a Trading Privilege Holder liable for, and impose sanctions against such Trading Privilege Holder, for such Trading Privilege Holder's own acts and omissions that constitute a violation;

(ii) a Trading Privilege Holder liable for, and impose sanctions against such Trading Privilege Holder, for the acts and omissions of each Authorized Trader authorized by, and each other agent or representative of, such Trading Privilege Holder that constitute a violation as if such violation were that of the Trading Privilege Holder;

(iii) an Authorized Trader liable for, and impose sanctions against him or her, for such Authorized Trader's own acts and omissions that constitute a violation; and

(iv) an Authorized Trader liable for, and impose sanctions against him or her, for the acts and omissions of each agent or representative of such Authorized Trader that constitute a violation as if such violation were that of the Authorized Trader.

## **702. Inquiries and Investigation**

(a) The Market Regulation Department will investigate any matter within the Exchange's disciplinary jurisdiction that is brought to such Department's attention. The Market Regulation Department will determine the nature and scope of its inquiries and investigations within its sole discretion and will function independently of any commercial interests of the Exchange.

(b) The Market Regulation Department has the authority to:

(i) initiate and conduct inquiries and investigations;

(ii) prepare investigative reports and make recommendations concerning initiating disciplinary proceedings;

(iii) prosecute alleged violations within the Exchange's disciplinary jurisdiction; and

(iv) represent the Exchange on appeal from any disciplinary proceeding, summary imposition of fines, summary suspension or other summary action.

(c) Each Trading Privilege Holder, Authorized Trader and other Person subject to the Exchange's jurisdiction:

(i) is obligated to appear and testify and respond in writing to interrogatories within the time period required by the Market Regulation Department in connection with: (A) any Exchange Business or Rule of the Exchange; (B) any inquiry or investigation; or (C) any preparation by and presentation during a disciplinary proceeding or appeal from a decision in a disciplinary proceeding, summary imposition of fines, summary suspension or other summary action by the Exchange;

(ii) is obligated to produce books, records, papers, documents or other tangible evidence in its, his or her possession, custody or control within the time period required by the Market Regulation Department in connection with: (A) any Exchange Business or Rule of the Exchange; (B) any inquiry or investigation; or (C) any preparation by and presentation during a disciplinary proceeding or appeal from a decision in any disciplinary proceeding, summary imposition of fines, summary suspension or other summary action by the Exchange; and

(iii) may not impede or delay any inquiry, investigation, disciplinary proceeding, appeal from a disciplinary proceeding, summary imposition of fines, summary suspension or other summary action.

### **703. Reports of Investigations**

(a) The Market Regulation Department will maintain a log of all investigations and their disposition. The Market Regulation Department will prepare a written report of investigation when the evidence gathered during any inquiry or investigation forms a reasonable basis to believe that a violation within the Exchange's jurisdiction has occurred or is about to occur.

(b) Any written report of investigation will include the reasons for initiating the investigation (including a summary of the complaint, if any), all relevant facts and evidence gathered, and the recommendation of the Market Regulation Department. For each potential respondent, the Market Regulation Department will recommend either (i) closing the investigation without further action, (ii) resolving the investigation through an informal disposition, including the issuance of a warning letter or (iii) initiating disciplinary proceedings. An informal disposition (including the issuance of a warning letter) will not constitute a finding of a violation or a sanction.

### **704. Opportunity to Respond**

(a) After completing its investigation report, the Market Regulation Department may, upon approval of the Review Panel, notify each potential respondent that the Market Regulation Department has recommended formal disciplinary charges against the potential respondent.

(b) The Market Regulation Department may allow a potential respondent to propose a settlement of the matter or to submit a written statement explaining why a disciplinary proceeding should not be instituted or one or more of the potential charges should not be brought. The potential respondent shall submit such written statement within the time limit established by the Market Regulation Department.



## **705. Review of Investigative Reports**

(a) The Review Panel will review promptly each completed investigation report to determine whether a reasonable basis exists to believe that a violation within the Exchange's jurisdiction has occurred or is about to occur.

(b) If the Review Panel determines that additional investigation or evidence is needed to decide whether a reasonable basis exists to believe that a violation within the Exchange's jurisdiction has occurred or is about to occur, the Review Panel will direct the Market Regulation Department to conduct further investigation.

(c) After receiving completion of an investigation, the Review Panel will determine for each potential respondent whether to authorize:

(i) the commencement of disciplinary proceedings because a reasonable basis exists to believe that a violation within the Exchange's jurisdiction has occurred or is about to occur;

(ii) the informal disposition of the investigation (by issuing a warning letter or otherwise) because disciplinary proceedings are unwarranted or because no reasonable basis exists to believe that a violation within the Exchange's jurisdiction has occurred or is about to occur; or

(iii) the closing of the investigation without any action because disciplinary proceedings are not warranted or no reasonable basis exists to believe that a violation within the Exchange's jurisdiction has occurred or is about to occur.

(d) Any member of the Review Panel must promptly recuse himself or herself and notify the General Counsel of the recusal if such member has a relationship of a type listed in Rule 210(a)(i) with a potential respondent in an investigative report.

## **706. Notice of Charges**

(a) If the Review Panel authorizes disciplinary proceedings pursuant to Rule 705(c)(i), the Market Regulation Department will prepare, and serve in accordance with Rule 708, a notice of charges.

(b) A notice of charges will:

(i) state the acts, practices or conduct that the respondent is alleged to have engaged in;



- (ii) state the Rule of the Exchange or provision of Applicable Law alleged to have been violated or about to be violated;
- (iii) state the proposed sanctions;
- (iv) advise the respondent of its right to a hearing;
- (v) state the period of time within which the respondent can request a hearing on the notice of charges, which will not be less than 20 days after service of the notice of charges;
- (vi) advise the respondent that any failure to request a hearing within the period stated, except for good cause, will be deemed to constitute a waiver of the right to a hearing; and
- (vii) advise the respondent that any allegation in the notice of charges that is not expressly denied will be deemed to be admitted.

**707. Answer to Notice of Charges**

(a) If the respondent determines to answer a notice of charges, the respondent must file answers within 20 days after being served with such notice, or within such other time period determined appropriate by the Director of Hearings.

(b) To answer a notice of charges, the respondent must in writing:

- (i) specify the allegations that the respondent denies or admits;
- (ii) specify the allegations that the respondent does not have sufficient information to either deny or admit;
- (iii) specify any specific facts that contradict the notice of charges;
- (iv) specify any affirmative defenses to the notice of charges; and
- (v) sign and serve the answer on the Director of Hearings.

(c) Any failure by the respondent to timely serve an answer to a notice of charges will be deemed to be an admission to the allegations in such notice. Any failure by the respondent to answer one or more allegations in a notice of charges will be deemed to be an admission of that allegation or those allegations. Any allegation in a notice of charges that the respondent fails to expressly deny will be deemed to be admitted. A general denial by the respondent, without more, will not satisfy the requirements of paragraph (b) above.

## **708. Service of Notice of Charges**

Any notice of charges or other documents contemplated to be served pursuant to this Chapter 7 may be served upon the respondent either personally or by leaving the same at his or her place of business or by deposit in the United States mail, postage prepaid, via registered or certified mail addressed to the respondent at the address as it appears on the books and records of the Exchange.

## **709. Settlements**

(a) A respondent or potential respondent may at any time propose in writing an offer of settlement to anticipated or instituted disciplinary proceedings. Any offer of settlement should contain proposed findings and sanctions and be signed by the respondent or potential respondent and submitted to the Market Regulation Department. A respondent or potential respondent may offer to settle disciplinary proceedings without admitting or denying the findings contained in the order of the disciplinary proceedings but must accept the jurisdiction of the Exchange over it and over the subject matter of the proceedings and consent to the entry of the findings and sanctions imposed.

(b) If a respondent or potential respondent submits an offer of settlement in accordance with paragraph (a) above, the Market Regulation Department will forward the offer to the General Counsel or his or her designee with a recommendation on whether to accept or reject the offer. If the General Counsel or his or her designee, as the case may be, conditionally accepts an offer of settlement, the settlement will become final upon the expiration of 20 days after an order of the disciplinary proceedings consistent with the terms of the offer of settlement is served on the respondent, unless the Board calls the matter for review before the end of the 20-day period.

(c) If an offer of settlement is accepted and the related order of disciplinary proceedings becomes final, the respondent's submission of the offer will be deemed to constitute a waiver of the right to notice, opportunity for a hearing and review and appeal under these Rules.

(d) If the offer of settlement of a respondent or potential respondent is not accepted, fails to become final or is withdrawn by the respondent or potential respondent, the matter will proceed as if the offer had not been made and the offer and all documents relating to it will not become part of the record. Neither a respondent or potential respondent nor the Market Regulation Department may use an unaccepted offer of settlement as an admission or in any other manner at a hearing of, or appeal from, disciplinary proceedings.

## **710. Disciplinary Panel**

(a) Subject to subsection (b) of this Section 710, the Board will appoint a “Disciplinary Panel” consisting of five Trading Privilege Holders (with one member acting as chairman). The Disciplinary Panel will conduct hearings in connection with any disciplinary proceedings, to make findings and impose sanctions pursuant to this Chapter 7.

(b) Any of the functions of the Exchange or the Director of Hearings under this Chapter 7 may be performed by a Compliance Service Provider pursuant to a delegation of such functions by the Exchange, and references to the Director of Hearings or the Disciplinary Panel, as appropriate, shall be deemed to be references to such Compliance Service Provider.

(c) Within 10 days of being notified of the appointment of a Disciplinary Panel, a respondent may seek to disqualify any individual named to the Disciplinary Panel for the reasons identified in Rule 210 or for any other reasonable grounds, by serving written notice on the General Counsel and providing a copy thereof to the Director of Hearings. By not timely filing a request for disqualification, the respondent will be deemed to have waived any objection to the composition of a Disciplinary Panel. The General Counsel will decide the merits of any request for disqualification within his or her sole discretion. Any such decision will be final and not subject to appeal.

## **711. Convening Hearings of Disciplinary Proceedings**

(a) All disciplinary proceedings (except for summary impositions of fines pursuant to Rule 718) will be conducted at a hearing before a Disciplinary Panel. A hearing will be conducted privately and confidentially unless the Disciplinary Panel decides that the hearing, or any part of it, should be held in public after giving each respondent the opportunity to present its, his or her views on holding a public hearing. Notwithstanding the confidentiality of hearings, a Disciplinary Panel may appoint an expert to attend any hearing and assist in deliberations if such expert agrees to be subject to an appropriate confidentiality agreement.

(b) After reasonable notice to each respondent, the Disciplinary Panel will promptly convene a hearing to conduct the disciplinary proceedings with respect to such respondent. Parties to a disciplinary proceeding include each respondent and the Market Regulation Department.

(c) The chairman of the Disciplinary Panel may continue, adjourn or otherwise conduct the hearing, as he or she may deem appropriate. The chairman of the Disciplinary Panel will determine all procedural and evidentiary matters, including the admissibility and relevance of any evidence proffered. In determining procedural and evidentiary matters, the chairman of the Disciplinary Panel will not be bound by any evidentiary or procedural

rules or law. Once admitted during the hearing, the Disciplinary Panel may consider, and attach the weight it believes appropriate to, evidence or other materials. The Exchange will provide guidance to the chairman of the Disciplinary Panel on the conduct of the hearing.

(d) Except for procedural and evidentiary matters decided by the chairman of the Disciplinary Panel pursuant to paragraph (c) above and Rule 712, unless each respondent otherwise consents, the entire Disciplinary Panel must be present during the entire hearing and any related deliberations.

## **712. Respondent Review of Evidence**

(a) Prior to the commencement of a hearing, each respondent will be given the opportunity to review all books, records, documents, papers, transcripts of testimony and other tangible evidence in the possession or under the control of the Exchange that the Market Regulation Department will use to support the allegations and proposed sanctions in the notice of charges or which the chairman of the Disciplinary Panel deems relevant to the disciplinary proceedings. Notwithstanding the foregoing, no respondent will have the right to review, and the Exchange will have no obligation to disclose, any information protected by attorney-client privilege.

(b) If any books, records, documents, papers, transcripts of testimony, or other tangible evidence contain information that could adversely affect the competitive position of the Person providing the information or if such information might compromise other investigations being conducted by the Market Regulation Department, the Market Regulation Department may redact, edit or code such information before furnishing it to the respondent.

(c) Notwithstanding anything in paragraph (b) above to the contrary, the Market Regulation Department:

(i) will not redact, edit or code competitive or investigative information contained in documents in a manner that would impair the respondent's ability to defend against the allegations or proposed sanctions in the notices of charges, and

(ii) will provide the respondent with access to the information and portions of the documents that the Market Regulation Department intends to rely on to support the allegations or proposed sanctions in the notice of charges.

(d) For purposes of this Rule 712, information that could adversely affect competitive positions include positions in Contracts currently held, trading strategies employed in establishing or liquidating positions, the identity of Customers, and the personal finances of the Person providing the information.

### **713. Conducting Hearings of Disciplinary Proceedings**

(a) At a hearing conducted in connection with any disciplinary proceedings, the Market Regulation Department will present its case supporting the allegations and proposed sanctions in the notice of charges to the Disciplinary Panel. If a respondent has timely filed an answer to the notice of charges in accordance with Rule 707, the respondent is entitled to attend and participate in the hearing.

(b) At a hearing conducted in connection with any disciplinary proceedings, the Disciplinary Panel or the Market Regulation Department and each respondent may:

(i) present evidence and facts determined relevant and admissible by the chairman of the Disciplinary Panel;

(ii) call and examine witnesses (including employees or agents of the Exchange that form part of the Market Regulation Department); and

(iii) cross-examine witnesses called by other parties.

(c) If the respondent fails to file an answer, has filed a general denial, or if any or all of the allegations in the notice of charges are not expressly denied in the respondent's answer, the chairman of the Disciplinary Panel may limit evidence concerning any allegations not expressly denied in determining the sanctions to impose. If a respondent fails to file an answer but appears at the hearing, the respondent may not participate in the hearing (by calling or cross-examining witnesses, testifying in defense, presenting evidence concerning the Notice of Charges, or otherwise) unless the Disciplinary Panel determines that the respondent had a compelling reason for failing to timely file an answer. If the Disciplinary Panel determines that the respondent had a compelling reason for failing to timely file an answer, the Disciplinary Panel will adjourn the hearing and direct the respondent to promptly file a written answer in accordance with Rule 707.

(d) Any Person entitled, or required or called upon, to attend a hearing before a Disciplinary Panel pursuant to paragraph (b)(ii) above will be given reasonable notice, confirmed in writing, specifying the date, time and place of the hearing, and the caption of the disciplinary proceedings. The Exchange will require Persons within its jurisdiction that are called as witnesses to appear at the hearing and produce evidence. The Exchange will make reasonable efforts to secure the presence of all other Persons called as witnesses whose testimony would be relevant.

(e) If during any disciplinary proceedings the Disciplinary Panel determines that a reasonable basis exists to believe that the respondent violated or is about to violate a Rule of the Exchange or a provision of Applicable Law other than the violations alleged in the notice of charges, the

Disciplinary Panel may consider those apparent violations after providing the respondent with an opportunity to answer the additional allegations in accordance with Rule 707. In connection with considering apparent violations pursuant to this paragraph (e), the Disciplinary Panel may request that the Market Regulation Department provide the Panel with any additional information.

(f) The Disciplinary Panel may summarily impose sanctions on any Trading Privilege Holder, Authorized Trader or other Person within the Exchange's jurisdiction that impede or delay the progress of a hearing.

(g) The Exchange will arrange for any hearing conducted in connection with disciplinary proceedings to be recorded hearing verbatim, or substantially verbatim, in a manner capable of accurate transcription. If the respondent requests a copy of all or portions of the recording of a hearing, the chairman of the Disciplinary Panel may within his or her sole discretion order the respondent to pay the costs for transcribing the recording of the hearing.

(h) No interlocutory appeals of rulings of any Disciplinary Panel or chairman of the Disciplinary Panel are permitted.

#### **714. Decision of Disciplinary Panel**

(a) As promptly as reasonable following a hearing, the Disciplinary Panel will issue an order rendering its decision based on the weight of the evidence contained in the record of the disciplinary proceedings. A decision by a majority of the Disciplinary Panel will constitute the decision of the Disciplinary Panel.

(b) The Exchange will serve a copy of the order of the disciplinary proceedings on the respondent and the Market Regulation Department. The order will include:

- (i) the notice of charges or summary of the allegations;
- (ii) the answer, if any, or a summary of the answer;
- (iii) a brief summary of the evidence introduced at the hearing;
- (iv) findings of fact and conclusions concerning each allegation, including each specific Rule of the Exchange and provision of Applicable Law that the respondent is found to have violated; and
- (v) the imposition of sanctions, if any, and the effective date of each sanction.

(c) Unless a timely notice of appeal is filed pursuant to Rule 717, the order of the disciplinary proceedings will become final upon the expiration of

20 days after the order is served on the respondent and a copy thereof is provided to the Market Regulation Department.

#### **715. Sanctions**

(a) After notice and opportunity for hearing in accordance with these Rules, the Exchange will impose sanctions if a Trading Privilege Holder, Authorized Trader or other Person within the Exchange's jurisdiction is found to have violated a Rule of the Exchange or provision of Applicable Law for which the Exchange possesses disciplinary jurisdiction. The Exchange may impose one or more of the following sanctions or remedies: (i) censure; (ii) limitation on Trading Privileges, association with a Trading Privilege Holder or other activities, functions or operations; (iii) suspension of Trading Privileges or association with a Trading Privilege Holder for a period not to exceed 12 months; (iv) fine (subject to paragraph (b) below); (v) restitution or disgorgement; (vi) expulsion or termination of a Trading Privilege Holder, Authorized Trader or other Person within the Exchange's jurisdiction; or (vii) any other sanction or remedy deemed to be appropriate.

(b) The Exchange may impose a fine of up to \$500,000 for each violation. If a fine or other amount is not paid within 30 days of the date that it becomes payable, then interest will accrue on the sum from the date that it became payable at the quoted prime rate plus three percent. The Exchange has sole discretion to select the bank on whose quotations to base the prime rate. Each Trading Privilege Holder will be responsible for paying any fine or other amount imposed on, but not paid by, any Authorized Trader authorized by, or other agent or representative of, such Trading Privilege Holder.

#### **716. Costs**

(a) Regardless of the outcome of any disciplinary proceeding, a Disciplinary Panel may order a respondent to pay some or all of the costs associated with the disciplinary proceedings, including costs that the Disciplinary Panel believes were unnecessarily caused by the respondent. Costs may include costs associated with the inquiry or investigation, the prosecution by the Market Regulation Department, legal and professional assistance, the hearing and administrative and other expenses incurred by the Disciplinary Panel.

(b) A Disciplinary Panel may only award costs against the Exchange if the Panel concludes that the Exchange has behaved in a manifestly unreasonable manner in the commencement or conduct of the disciplinary proceedings in question. The Disciplinary Panel must limit any award of costs against the Exchange to an amount that the Panel concludes is reasonable and appropriate, but does not exceed the respondent's costs for external legal or other external professional assistance.



(c) The Disciplinary Panel may determine the amounts and allocation of costs in any manner it may deem appropriate. The Exchange or the respondent will pay any costs ordered to be paid by it by the Disciplinary Panel within 30 days of the later of either written notice of (i) the amount imposed by the Disciplinary Panel or (ii) the determination of an appeal by an Appeals Panel against the Disciplinary Panel's determination.

#### **717. Appeal from Disciplinary Panel Decision**

(a) Each respondent found by a Disciplinary Panel to have violated a Rule of the Exchange or a provision of Applicable Law may appeal the decision of the Disciplinary Panel within 20 days of receiving the order of the disciplinary proceedings by filing a notice of appeal with the Secretary. While an appeal is pending, the effect of the order of disciplinary proceedings (including any sanctions, remedies or costs imposed thereby) is suspended.

(b) In a notice of appeal, the appellant must state in writing the grounds for appeal, including the findings of fact, conclusions or sanctions to which the respondent objects. An appellant may appeal the order of disciplinary proceedings on the grounds that:

(i) the decision was arbitrary, capricious, an abuse of discretion, or not in accordance with the Rules of the Exchange;

(ii) the decision exceeded the authority or jurisdiction of the Disciplinary Panel or the Exchange;

(iii) the decision failed to observe required procedures;

(iv) the decision was unsupported by the facts or evidence; or

(v) the imposed sanctions, remedies or costs are inappropriate or unsupported by the record.

(c) The Secretary will forward copies of any notice of appeals received by it to all parties to the disciplinary proceedings in question, except the appellant. On or before the 20<sup>th</sup> day after filing a notice of appeal, the appellant must file with the Secretary and serve on the Market Regulation Department a brief supporting the notice of appeal and documents supporting the brief. On or before the 20<sup>th</sup> day after the date on which the appellant served its, his or her brief, the appellee must file and serve its brief in opposition. On or before the 10<sup>th</sup> day after the date on which the appellee served its, his or her brief in opposition, the appellant must file and serve a brief in reply.

(d) In connection with any appeal, the Market Regulation Department will furnish to the Board a transcript of the hearing, any exhibits introduced at



the hearing, the notice of appeal and briefs filed to support and oppose the appeal.

(e) Within 30 days after the last submission filed pursuant to paragraph (c) above, the Board will appoint an Appeals Panel to consider and determine the appeal. An individual may not serve on an Appeals Panel if the individual has a relationship of a type described in Rule 210 or if the individual served on the Disciplinary Panel related to, or otherwise participated in, any stage of the disciplinary proceedings on appeal.

(f) Within 10 days of being notified of the appointment of an Appeals Panel, the appellant may seek to disqualify any individual named to the Appeals Panel for the reasons listed in Rule 210 or for any other reasonable grounds, by serving written notice on the General Counsel. By not timely filing a request for disqualification, the appellant will be deemed to have waived any objection to the composition of the Appeals Panel. The General Counsel will decide the merits of any such objection in his or her sole discretion. Any such decision will be final and not subject to appeal.

(g) An Appeals Panel may hold a hearing to allow parties to present oral arguments. Any hearing will be conducted privately and confidentially unless the Appeals Panel decides that the hearing, or any part of it, should be held in public after giving each appellant the opportunity to present its, his or her views on holding a public hearing. Notwithstanding the confidentiality of hearings, an Appeals Panel may appoint individuals to attend any hearing and assist in the deliberations if such individuals agree to be subject to appropriate confidentiality agreements. In determining procedural and evidentiary matters, the Appeals Panel will not be bound by any evidentiary or procedural rules or law.

(h) The Appeals Panel will only consider on appeal the record before the Disciplinary Panel, the notice of appeal, the briefs filed in support and opposition of the appeal, and any oral arguments of the parties. The Appeals Panel may only consider new evidence when the Panel is satisfied that good cause exists on why the evidence was not introduced during the disciplinary proceedings.

(i) After completing its review, the Appeals Panel may affirm, modify or reverse any order of disciplinary proceedings under appeal in whole or in part, including increasing, decreasing or eliminating any sanction or remedy imposed, imposing any other sanction or remedy authorized by the Rules of the Exchange, or remanding the matter to the same or a different Disciplinary Panel for further disciplinary proceedings. The Appeals Panel may order a new hearing for good cause or if the Panel deems it appropriate.

(j) As promptly as reasonably possible following its review, the Appeals Panel will issue a written decision on appeal rendering its decision

based on the weight of the evidence before the Appeals Panel. A decision by a majority of the Appeals Panel will constitute the decision of the Appeals Panel. The decision of the Appeals Panel will include a statement of findings of fact and conclusions for each finding, sanction, remedy and cost reviewed on appeal, including each specific Rule of the Exchange and provision of Applicable Law that the respondent is found to have violated, if any, and the imposition of sanctions, remedies and costs, if any, and the effective date of each sanction, remedy or cost.

(k) An Appeals Panel's written order on appeal (including findings of fact and conclusions and the imposition of sanctions, remedies and costs, and the effective date of any sanction, remedy cost) will be the final action of the Exchange and will not be subject to appeal<-> within the Exchange.

## **718. Summary Imposition of Fines**

(a) The Market Regulation Department may summarily impose a fine against a Trading Privilege Holder or Authorized Trader for failing:

(i) to make timely payments of original or variation margin, options premiums, fees, cost, charges or fines to the Exchange or the Clearing Service Provider;

(ii) to make timely and accurate submissions to the Exchange of notices, reports or other information required by the Rules of the Exchange; and

(iii) to keep any books and records required by the Rules of the Exchange.

(b) The Market Regulation Department will give notice of any fine imposed pursuant to this Rule 718 to each Trading Privilege Holder or Authorized Trader subject thereto. The notice will specify (i) the violations of the Rules of the Exchange for which the fine is being imposed, (ii) the date of the violation for which the fine is being imposed and (iii) the amount of the fine. Within 10 days of serving the notice of fine, the Trading Privilege Holder or Authorized Trader in question must either pay the fine or submit a written request to the Board for review of the fine that specifies the basis for the requested review. If the Trading Privilege Holder or Authorized Trader does not request a review within 10 days of service of the notice of fine, the fine becomes final.

(c) Upon a request for review pursuant to paragraph (b) above, the Board will appoint a Summary Review Panel to promptly hear and consider the request for review. At the hearing, (i) the Trading Privilege Holder or Authorized Trader that is subject to the fine may appear and present evidence to establish that it did not commit the violation for which the fine was imposed, that the fine imposed is excessive, or both, and (ii) the Market

Regulation Department may present evidence to establish that the Trading Privilege Holder or Authorized Trader committed the violation for which the fine was imposed, that the fine imposed is not excessive, or both. In connection with the hearing to review the summary imposition of fines, the Summary Review Panel will not be bound by any law concerning evidence or procedural matters.

(d) As promptly as reasonably possible following the hearing, the Summary Review Panel will issue a written decision and provide copies of that decision to the Market Regulation Department and the Trading Privilege Holder or Authorized Trader in question. The written decision shall include

- (i) a description of, and reasons for, the summary action taken;
- (ii) a brief summary of the evidence introduced at the hearing;
- (iii) findings of fact and conclusions;
- (iv) the affirmation, modification or reversal of the summary action; and

A decision by a majority of the Summary Review Panel will constitute the decision of the Summary Review Panel. The Summary Review Panel may affirm, modify, increase or decrease any fine imposed pursuant to this Rule 718, subject to the maximum established by the Board pursuant to paragraph (e) below. The Summary Review Panel's decision on review of the summary imposition of fines will be the final action of the Exchange and not subject to appeal.

(e) The Board will set the amount of any fines imposed pursuant to this Rule 718, with the maximum fine for each violation not exceeding \$5,000. Summary imposition of fines pursuant to this Rule 718 will not preclude the Exchange from bringing any other action against the Trading Privilege Holder or Authorized Trader in question.

#### **719. Summary Suspensions and Other Summary Actions**

(a) Notwithstanding anything in the Rules of the Exchange to the contrary, the President, or his or her designee, may summarily suspend the Trading Privileges of a Trading Privilege Holder or the association of an Authorized Trader with a Trading Privilege Holder or take other summary action against any Trading Privilege Holder, Authorized Trader or other Person subject to the Exchange's jurisdiction. To summarily suspend or take summary action, the President, or his or her designee, must reasonably believe that the business, conduct or activities of the Trading Privilege Holder, Authorized Trader or other Person in question is not in the best interests of the Exchange or the marketplace, including based on any of the following:

- (i) statutory disqualification from registration as provided in CEA Section

8a(2) or (3); (ii) non-payment of fees, costs, charges, fines or arbitration awards; or (iii) reasonable belief that immediate action is necessary to protect the public or the best interests of the Exchange.

(b) Whenever the President, or his or her designee proposes to take summary action pursuant to paragraph (a) above, the Exchange will, if practicable, provide written notice to the party against whom the action is contemplated. If prior notice is not practicable, the Exchange will give notice at the earliest possible opportunity to the respondent against whom the action is brought. The Market Regulation Department will prepare a notice of summary action (which will state the action, the reasons for the action, and the effective time, date, and duration of the action) and serve the notice on the respondent. Promptly but no later than 20 days after service of the notice of summary action, a Summary Review Panel will conduct a hearing concerning the summary action.

(c) At the hearing concerning the summary action, the Market Regulation Department will present its case supporting the action and the respondent may present its, his or her case opposing the action and each may present evidence and facts that the Summary Review Panel determines is relevant and admissible and call, examine and cross-examine witnesses. The Exchange will require Persons within its jurisdiction to appear as witnesses and produce evidence if the Summary Review Panel determines that evidence is relevant. During the hearing, the Summary Review Panel will not be bound by any law concerning evidence or procedural matters.

(d) As promptly as reasonably possible after the hearing concerning a summary action, the Summary Review Panel will issue an order rendering its decision based on the weight of the evidence presented at the hearing. The decision of a majority of the Summary Review Panel will be the decision of the Summary Review Panel. The Exchange will serve copies of the order of the Summary Review Panel on the respondent and the Market Regulation Department. The order will include:

- (i) a description of, and reasons for, the summary action taken;
- (ii) a brief summary of the evidence introduced at the hearing;
- (iii) findings of fact and conclusions;
- (iv) the affirmation, modification or reversal of the summary action; and
- (v) any further actions to be taken and the effective date and duration of those actions.

(e) Any decision of a Summary Review Panel will become final and not subject to appeal within the Exchange upon serving the respondent with a copy of the decision.

(f) At the request of the Exchange or the Clearing Service Provider, a respondent against whom a summary action is brought pursuant to this Rule 719 must provide books and records over which the respondent has access or control and must furnish information to, or appear or testify before, the Exchange or the Clearing Service Provider in connection with the enforcement of any Rule of the Exchange or Rule of the Clearing Service Provider.

(g) A respondent whose Trading Privileges are, or whose association with a Trading Privilege Holder is, suspended pursuant to this Rule 719 may apply for reinstatement by filing with the Secretary a written request stating the applicant's reasons for seeking reinstatement. The Exchange will not consider a respondent's request for reinstatement if the respondent (i) owes any fines, fees, charges or costs to the Exchange, (ii) continues to fail to appear at disciplinary proceedings without good cause or (iii) continues to impede the progress of disciplinary proceedings.

(h) Within a reasonable period after the filing of a request for reinstatement, a Summary Review Panel will conduct a hearing to consider the request. At the hearing for reinstatement, the respondent will present its, his or her case supporting the reinstatement and the Market Regulation Department may, in its discretion, present its case opposing or supporting the reinstatement and each may present relevant and admissible evidence and facts and call, examine and cross-examine witnesses. At the hearing for reinstatement, the Exchange may require Persons within its jurisdiction to appear as witnesses and produce evidence if the Summary Review Panel determines that the evidence is relevant. During any reinstatement hearing, the Summary Review Panel will not be bound by any law concerning evidence or procedural matters.

(i) As promptly as reasonably possible after a reinstatement hearing, the Summary Review Panel will issue an order reinstating, denying the reinstatement, or placing conditions on the reinstatement of the Trading Privileges, or association with a Trading Privilege Holder, of the respondent. The order will include a brief summary of the evidence introduced at the reinstatement hearing; and, if applicable, findings of fact and conclusions not contained in the Summary Review Panel's initial order issued pursuant to Rule 719(d) above. The Summary Review Panel's order may be appealed by the respondent pursuant to the appeal procedures outlined in Rule 717 above.

## **720. Rights and Responsibilities after Suspension or Termination**

(a) When the Trading Privileges of a Trading Privilege Holder are, or the association of an Authorized Trader with a Trading Privilege Holder is, suspended for a period of 12 months or less, none of its rights and Trading Privileges (including the right to hold oneself out to the public as a Trading Privilege Holder, enter Orders into the CCFE Trading Platform and receive Trading Privilege Holder rates for fees, costs, and charges and deposit margin at Trading Privilege Holder levels) will apply during the period of the suspension, except for the right of the Trading Privilege Holder or Authorized Trader in question to assert claims against others as provided in the Rules of the Exchange. Any such suspension will not affect the rights of creditors under the Rules of the Exchange or relieve the Trading Privilege Holder or Authorized Trader in question of its, his or her obligations under the Rules of the Exchange to perform any Contracts entered into before the suspension, or for any Exchange fees, costs, or charges incurred during the suspension. The Exchange may discipline a suspended Trading Privilege Holder or Authorized Trader under this Chapter 7 for any violation of a Rule of the Exchange or provision of Applicable Law committed by the Trading Privilege Holder before, during or after the suspension.

(b) When the Trading Privileges of a Trading Privilege Holder are, or the association of an Authorized Trader with a Trading Privilege Holder is, terminated, all of its rights and Trading Privileges will terminate, except for the right of the Trading Privilege Holder or Authorized Trader in question to assert claims against others, as provided in the Rules of the Exchange. Any such termination will not affect the rights of creditors under the Rules of the Exchange. A terminated Trading Privilege Holder or Authorized Trader may only seek to reinstate its Trading Privileges by applying for Trading Privileges pursuant to Rule 305. The Exchange will not consider the application of a terminated Trading Privilege Holder or Authorized Trader if such Trading Privilege Holder or Authorized Trader continues to fail to appear at disciplinary proceedings without good cause or continues to impede the progress of disciplinary proceedings.

(c) An suspended or terminated Trading Privilege Holder or Authorized Trader remains subject to the Rules of the Exchange and the jurisdiction of the Exchange for acts and omissions prior to the suspension or termination, and must cooperate in any inquiry, investigation, disciplinary proceeding, appeal of disciplinary proceedings, summary suspension or other summary action as if the suspended or terminated Trading Privilege Holder or Authorized Trader still had Trading Privileges or was still associated with a Trading Privilege Holder, as the case may be.

**721. Notice to the Respondent, the Commission and the Public**

The Exchange will provide written notice of disciplinary proceedings to the parties and the Commission consistent with Commission Regulations. Whenever the Exchange suspends, expels, fines or otherwise disciplines, or denies any Person access, to the Exchange, the Exchange will make the public disclosures required by Commission Regulations.

## **CHAPTER 8 ARBITRATION**

### **801. General**

(a) Except as otherwise provided in the Rules of the Exchange, Trading Privilege Holders must arbitrate all controversies arising in connection with their Exchange Business between or among themselves.

(b) Except as otherwise provided in the Rules of the Exchange, if required by the applicable Customer agreement to which a Customer has provided its prior written consent in accordance with Commission Regulation § 166.5 or, in the absence of a written agreement, if the relevant Customer otherwise agrees to arbitrate in accordance with Commission Regulation § 166.5 (when applicable), Trading Privilege Holders must arbitrate all controversies arising in connection with their Exchange Business between themselves and their respective Customers.

(c) Notwithstanding the foregoing, this Rule 801 does not require arbitration of claims alleging employment discrimination (including sexual harassment) in violation of Applicable Law.

### **802. Forum**

NFA will conduct any and all arbitrations of a type described in Rule 801.

### **803. Applicable Rules**

Any and all arbitrations of a type described in Rule 801 that involve Customers will be conducted pursuant to NFA's Code of Arbitration. All other arbitrations of a type described in Rule 801 will be conducted pursuant to NFA's Member Arbitration Rules.

### **804. Penalties**

(a) Any failure on the part of any Trading Privilege Holder, Authorized Trader or other Person subject to the Exchange's jurisdiction to arbitrate a case subject to arbitration, or the commencement by any such Person of a suit in any court prior to arbitrating a case subject to arbitration, violates the Rules of the Exchange and subjects such Trading Privilege Holder, Authorized Trader or other Person to disciplinary proceedings pursuant to Chapter 7.

(b) The Exchange may summarily suspend, pursuant to Rule 719, a Trading Privilege Holder, Authorized Trader or other Person subject to the Exchange's jurisdiction that fails to satisfy an arbitration award rendered in any arbitration pursuant to this Chapter 8.



## **CHAPTER 9**

### **RECONSIDERATION REGARDING DENIAL OF TRADING PRIVILEGES**

#### **901. Procedures**

(a) If the Exchange, pursuant to Rule 304, denies an application for Trading Privileges or association with a Trading Privilege Holder, grants only conditional Trading Privileges or association, determines not to permit a Person to keep its Trading Privileges or maintain its association, or conditions the Trading Privileges or association of any Person, then, in any such case, the affected applicant, Trading Privilege Holder or Authorized Trader, as the case may be, within seven days after receiving written notice of such decision, may request in writing that the Exchange provide the reasons therefor in writing. Within 14 days of receiving any such written request, the Exchange will provide the applicant, Trading Privilege Holder or Authorized Trader, as the case may be, with such reasons in writing. Within 14 days of receiving the Exchange's written response, the applicant, Trading Privilege Holder or Authorized Trader, as the case may be, may request, in writing, that the Exchange reconsider its initial decision and may provide any written representations or other information that the applicant, Trading Privilege Holder or Authorized Trader, as the case may be, believes is relevant to the reconsideration.

(b) Within 28 days of receiving either a written request for reconsideration or written representations or information from the applicant, Trading Privilege Holder or Authorized Trader, as the case may be, or a statement from such Person that no such representation or information is to be made or supplied, a Summary Review Panel will either confirm, reverse or modify the initial decision and will promptly notify the applicant, Trading Privilege Holder or Authorized Trader, as the case may be, accordingly. The Summary Review Panel may in its discretion schedule a hearing or establish any other process that it believes is necessary and appropriate to consider the request for reconsideration. Any decision by the Summary Review Panel pursuant to this paragraph (b) constitutes the final action of the Exchange with respect to the matter in question and is not subject to appeal.

## **CHAPTER 10 CONTRACTS**

### **1001. Contract Specifications**

Each Contract will meet such specifications, and all trading in such Contract will be subject to such procedures and requirements, as set forth in the rules governing such Contract.

### **1002. Delivery**

Delivery of the Commodity underlying a Contract upon termination of a Contract, and payment of the price in respect thereof, shall be made in accordance with the Rules of the Clearing Service Provider.

## **CHAPTER 11 CLEARING**

### **1101. Clearing Member Guarantee**

(a) Each Trading Privilege Holder that is not a Clearing Member and desires to enter into transactions in Contracts must obtain the prior authorization from a Clearing Member who will guarantee such transactions, or enter into an appropriate arrangement with a Person that has such an authorization from a Clearing Member. Each such guarantee or other arrangement must be in form and substance satisfactory to, and approved by, the Exchange. A Clearing Member must guarantee and assume financial responsibility for all Contracts of each Trading Privilege Holder guaranteed by it, and will be liable for all trades made by such Trading Privilege Holder.

(b) A Clearing Member may at any time revoke any authorization granted and guarantee made by it to any Trading Privilege Holder in accordance with paragraph (a) above, by providing written notice of such revocation to the Exchange. The guarantee will remain in effect until the non-clearing Trading Privilege Holder has liquidated or transferred all its Customer and proprietary positions and funds to another Clearing Member.

### **1102. Responsibility of Trading Privilege Holders**

Each Trading Privilege Holder must assist its Clearing Member and the Clearing Service Provider in the clearing of its transactions in Contracts. Without limiting the generality of the foregoing, each Trading Privilege Holder must: (a) provide its Clearing Member a telephone number so that such Trading Privilege Holder may be reached at any time during the day in the event that there is a discrepancy in the clearing of its transactions; and (b) be available to resolve out-trades in Contracts in which such Trading Privilege Holder executed trades on the previous day in a manner specified by the Exchange from time to time. Trading Privilege Holders may appoint one or more representatives for the foregoing purposes. If neither the Trading Privilege Holder nor any such representative is present at the time specified above, such Trading Privilege Holder's Clearing Member will be authorized to resolve any out-trade in the manner it deems appropriate, but such resolution will not be relevant to the determination of the liability of any party to the out-trade.

### **1103. Clearing Services**

Whenever the Exchange designates a clearing organization other than the Clearing Service Provider for the clearance of Contracts with respect to which there are open positions, each Clearing Member must, as of the close of business on the second Business Day prior to the effective date of such designation, either become a clearing member of such new organization, or cause any such open Contracts carried by it either to be transferred to a clearing member of such new clearing organization or to be liquidated.

**1104. Rules of the Clearing Service Provider**

The clearing services provided by the Clearing Service Provider with respect to any Contract, and the rights and obligations of purchasers and sellers under cleared Contracts (including rights and obligations in respect of clearing and settlement, variation payments and performance at maturity, and in the case of Options on Futures, upon exercise thereof), will be governed by the Rules of the Clearing Service Provider.

**1105. Notice of Arbitration**

In any arbitration concerning an alleged failure of any Trading Privilege Holder to honor a trade in any Contract, each party to such arbitration must promptly provide copies of all documents filed or received in such arbitration by such party to the Clearing Member that guaranteed such party's transactions in Contracts when the trade allegedly took place.

Document comparison done by DeltaView on Monday, October 25, 2004 7:20:34 PM

Input:	
Document 1	PowerDocs://NY12534/122577/16
Document 2	PowerDocs://NY12534/122577/17
Rendering set	S&C Default

Legend:	
<u>Insertion</u>	
<Deletion>	
<del>Moved from</del>	
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Style change	
Format change	
<del>Moved deletion</del>	
Inserted cell	
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Moved cell	
Split/Merged cell	
Padding cell	

Redline Summary:		
No.	Change	Text
1-2	Change	"Appendix B-1B to Application" changed to "Appendix B-1C to Application"
3-4	Change	"NY12534:122577.16" changed to "NY12534:122577.17"
5-6	Change	"NY12534:122577.16" changed to "NY12534:122577.17"
7-8	Change	"NY12534:122577.16" changed to "NY12534:122577.17"
9-10	Change	"207. Officers" changed to "(c) Disclosure. Upon...designee.207. Officers"
11-12	Change	"subject to appeal.718. Summary" changed to "subject to appeal within...Exchange.718. Summary"

Statistics:	
	Count
Insertions	7
Deletions	5

Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	12

Redline options:	
	Status
Redline Statistics at End of Document	ON
Include Redline Comparison Summary	ON
Show Line Numbering	OFF
Show Change Numbers	OFF
Show Change Bars On Left	ON
Show Hidden Text	OFF
Detect List Numbering Changes	ON
Compare Headers/Footers	ON
Compare Footnotes	ON
Display DeltaView Footers	OFF
Ignore Embedded Objects/Images	OFF
Compare at Character Level	ON
Compare Numbers at Character Level	ON
Show Moved Deletions	OFF
Show Changes to Spaces	OFF
Show Paragraph Changes	OFF
Ignore Case Changes	OFF